iron spirit

ATLAS

2015 ANNUAL REPORT

ATLAS IRON LIMITED
ABN 63 110 396 168

Atlas Iron Limited (Atlas or Company) 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 to become one of Australia's leading mid-tier 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 projects in strategic locations.

Since its establishment, Atlas has commissioned five mines in the Pilbara region, increasing its exports year on year since it started production in 2008.

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 win-win outcomes for the benefit of all parties.

Through its operations, Atlas is responsible for over 600 jobs, directly and indirectly, making a significant contribution to the state and national economy and local communities.

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.**

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

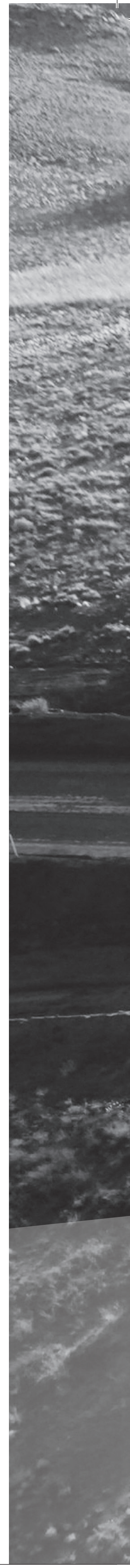
Working together to meet challenges and develop solutions, we actively engage and support our people and understand and value the contribution of others.

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.

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We enter the new financial year with both an acute awareness of our recent challenges and optimism on the back of our new financial and operational position.

Chairman's Report

Dear Shareholders

I have been in the Chairman's seat at Atlas Iron since June and already I have been asked many times why, given the challenges in the iron ore industry, I took on the job.

The answer is simple: opportunity.

Ironically, much of this opportunity stems from the difficulties Atlas encountered as a direct result of the sharp fall in the iron ore price earlier this year. The challenges this presented for Atlas, including the need to suspend production in April, are not to be understated. But equally, the response from the Company and its key contractors was nothing short of stunning.

The extensive cost cuts which have flowed from the innovative contractor-collaboration agreements, under which our key contractors have reduced their rates and pegged their returns to the iron ore price and Atlas' cashflow, have opened the door to an opportunity for Atlas shareholders.

Our new lowered cost base is now at the point where Atlas stands to generate returns for shareholders as highlighted by the strong financial performance of Atlas in the months of July and August. Our financial position has also been strengthened by the recently completed A$87 million capital raising. Again, this was undertaken as part of our strategic response to the iron ore price fall in the first half of 2015 and will help Atlas to capitalise on its opportunities whilst providing some protection from future price volatility.

The end result of this challenging chapter is that Atlas is now stronger and leaner, poised to reap the benefits that can stem from a lower cost base, a more robust balance sheet, incredible support from our shareholders, key contractors and experienced management with a track record of project development and production growth.

Atlas is also grateful for the strong support it has received from the WA Government and key departments in the form of lower port charges and deferred royalty payments.

I would like to thank my fellow Directors and Atlas management for their incredibly hard work, particularly in recent months. This has involved long days and often long nights and weekends. Their commitment to Atlas' future has been unwavering and the opportunity we now have is also a result of their hard labour.

We enter the new financial year with both an acute awareness of our recent challenges and optimism on the back of our new financial and operational position.

I thank shareholders for their endurance during these challenges and I look forward to delivering the benefits of our restructuring.

Hon Cheryl Edwardes
NON-EXECUTIVE CHAIRMAN

We have continued to receive strong interest in and demand for our products, having executed a number of contracts for our standard fines products. Atlas also continues to receive interest from customers in China, Japan, India and South Korea.

Managing Director's Report

Dear Shareholders

If a week is a long time in politics, there are no words to describe how long it feels in the case of running an iron ore company.

In the space of just one week in early July, the iron ore price see-sawed about US$14 a tonne – just as we were in the throes of completing the share placement that resulted in Atlas raising A$87 million.

The raising coincided with the end of the most volatile and challenging 12 months in the iron ore sector I have experienced in my career. But it also marked the start of a new beginning for Atlas.

There is no denying that the past financial year has been a difficult time for Atlas and our shareholders.

We had ramped up our production to an annual rate of 14-15 million tonnes in line with the undertaking we had given to the market over several years. We had also been successful in significantly reducing our costs in response to the falling iron ore price.

But despite these extensive efforts, the iron price fell faster and harder than anyone had predicted and we simply could not reduce our costs by enough to offset the fall. With our costs at the time exceeding the iron ore price, the Company's Board and Management had no realistic choice but to suspend mining in April this year. This was one of the hardest decisions I have ever taken.

However, the old adage that every cloud has a silver lining was quickly illustrated when our key contractors rallied around Atlas and worked with us to implement what we now know as the contractor-collaboration model.

In essence, this involved these contractors agreeing to slash the fees they charge Atlas in return for have a slice of the action as iron prices rise and our net cashflow grows. They also agreed to inject A$34 million into our Company through the capital raising, meaning they played another key role in our turnaround strategy while securing further exposure to the upside.

This contractor collaboration model is pivotal to Atlas' new, significantly lower cost base. As a result, our full production costs in the month of August were reduced to A$56.52/WMT (includes rate uplift, but pre contractor collaboration margin share). This meant we were cashflow-positive based on the average realised price on the month of A$61/WMT CFR.

The strength of our new, lower cost base and the confidence in the outlook for Atlas' business was reflected in the demand for the capital raising from both existing shareholders and new investors. As a result, we succeeded in securing sufficient funding to bolster our balance sheet. This have given us a measure of insulation against iron ore price volatility and further enhances our ability to generate returns for shareholders over the medium and long term.

In the face of a difficult 12 months in the iron ore sector, Atlas has achieved a number of important milestones to strengthen its business and position itself for the future, including:

- Implemented ongoing cost reductions, significantly reducing our cost of production;
- Ramped-up production to our targeted rate of 14-15Mtpa four months ahead of schedule;
- Doubled production at Mt Webber from 3 to 6MTPA;
- Commenced shipping a higher-value Atlas lump product for the first time;
- Completed a Contractor Collaboration agreement with Qube, MACA and McAleese at the Wodgina and Abydos mines;
- Entered into an iron ore Royalty Relief agreement with the Western Australian State Government;
- Achieved material savings in Government Port Charges through Port Hedland;
- Completed the capital raising discussed above;
- Reduced our exposure to the volatile iron ore spot price by implementing a number of hedging contracts in respect of our iron ore sales;
- Reduced staff numbers from 290 to 115 during the financial year and the number of Directors from 9 to 5.

While we are seeing the benefits of these initiatives, as demonstrated by our August 2015 production results, the Company remains focused on three key strategic initiatives:

1. Defend and grow net cash flow by further reducing costs and maximising revenues. We are applying our cost-reduction skills to every aspect of the business while looking for opportunities to add value to our existing iron ore products.
2. Ensure the business continues to deliver incremental growth by optimising our production schedules. This is aimed at maximising production rates, particularly from 2018 to 2022. We are also studying opportunities to complete low cost brownfields expansions which will support higher production rates with a longer mine life.
3. Address issues associated with the Company's debt as a priority. This process has the potential to create value for shareholders.

This three-pronged strategy is aimed at maximising Atlas' cash-generating power and the value of its assets for the benefit of all of our shareholders and key stakeholders.

It also remains a primary focus to run our Company safely. The safety of our people is paramount. To complete a significant mine expansion, suspend operations and then re-mobilise a large mining business without recording a serious injury is a significant achievement. All our teams are to be congratulated for this effort.

This is a great credit to everyone in the business, particularly our leaders, who have been vigilant in having a safety first culture permeate the Company.

We have also continued our exploration activities and we have every reason to be enthusiastic about our results from drilling at Corunna Downs.

The exploration success at Corunna Downs demonstrates the North Pilbara is a favourable location for iron ore exploration, and Atlas' significant land holding in the area is a strategic advantage. With our existing mines and the potential at our exploration sites, I am very confident about our future.

Of course, in order to maintain our success, it is important we maintain our reputation as a reliable supplier with strong relationships with our customers. We have continued to receive strong interest in and demand for our products, having executed a number of contracts for our standard fines products. Atlas also continues to receive interest from customers in China, Japan, India and South Korea.

Despite achieving cost reductions across the business of in the order of A$150 million during the year, the Company still reported an underlying EBITDA loss of A$51.5 million. In addition, largely as a result of downward revisions of future iron ore prices, we were required to take significant impairments totalling of A$1,077.1 million. This led to a statutory loss of A$1,377.8 million.

It is the strong urbanisation in China which has been driving the demand for iron ore and I remain confident that it will continue for some time.

We continue to see a significant disconnect between the physical demand we are experiencing for our ore and the volatility we see in day-to-day spot iron ore prices. It is increasingly our view that market speculation in relation to various iron ore indices is becoming the dominant influence on the short term price of iron ore. While the opportunity to invest in this paper market is relatively small compared to the flows of capital which are accessing it, we expect to see continued volatility in the iron ore price. We will continue to manage this volatility as best we can by way of our forward price strategy, which provides Atlas and investors with greater certainty in respect of the prices we will receive for our product and therefore the extent of our margins and cash flows in the near-term.

At a local level, Atlas has continued to be an active contributor to the community. This goes beyond the taxes and royalties we pay and involves us looking for opportunities to improve the communities in which we operate.

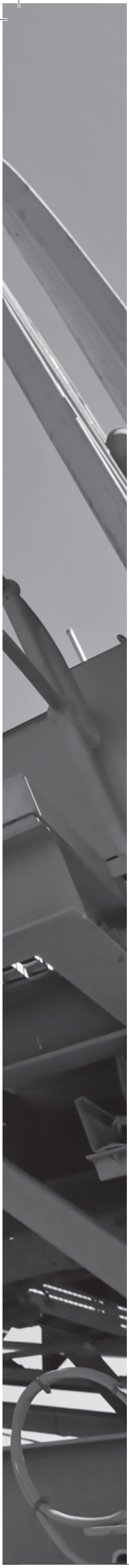
I am proud of the strong relationships we have established with various community organisations through our Community Partnership Program, Helping Hands grants, philanthropic grants and our Community days, in which Atlas' employees down tools and volunteer in the community. Our community involvement helps build a strong and vibrant culture.

As a small company, we have much to be proud of, punching well above our weight. We believe there is every reason to be confident about the future of the Company as we enter our second decade of operations. We have strong relationships with all of our stakeholders, customers, contractors and we hold attractive assets with competitive advantages in infrastructure.

And while it has been a difficult journey over the past 12 month or so, I believe our new cost base and strengthened balance sheet positions Atlas to both withstand future iron ore price volatility and capitalise on stronger prices and margins.

We have arrived at this point thanks to the immense amount of support and assistance we have received from existing shareholders, new investors, contractors, advisors, staff and our management team. I would like to thank you all for your commitment, loyalty and belief in Atlas. In return, I promise you that your Directors and Management are totally committed to ensuring a successful future for your company.

David Flanagan
MANAGING DIRECTOR



Atlas' values are embedded throughout the Company, and are the guiding principles behind how all employees work. They are the critical drivers to developing and nurturing the culture within Atlas, which aligns everyone in the Company to working collectively towards achieving Atlas' vision.

Our People and Culture

Atlas has grown from a one person operation in 2004 to become one of Australia's leading mid-tier iron ore exporters. Achieving this has required a team of exceptional, high performing people, passionate to succeed. These qualities have been important to grow the Company's production and resource base and be a good corporate citizen in the communities in which Atlas is based.

115 employees

Complemented by over 500 CONTRACTORS

Atlas' values are embedded throughout the Company, and are the guiding principles behind how all employees work. They are the critical drivers to developing and nurturing the culture within Atlas, which aligns everyone in the Company to working collectively towards achieving Atlas' vision.

While the Company has experienced growth, opened new mines and invested in exploration, the market volatility over the past 12 months has contributed to Atlas repositioning its workforce to around 115 employees (at the date of this report), working in Perth and the Pilbara.

Despite a period in which there has been significant volatility in the iron ore market, Atlas' employees have remained highly engaged and a strong and positive culture still exists providing the Company with stability and focus.

Atlas is also a proud equal opportunity employer, and has maintained a constant level of female participation of around 27%, including 25% of management roles filled by females. Over the past two years, the 'Women in Atlas Committee' has progressed through its initiatives and has been successful in identifying and recommending opportunities for women that enable them to help themselves and others to grow personally and professionally through leadership, education, mentoring and networking support. This achievement was recognised when Atlas won the 'Outstanding Company Initiative Award' at this year's WA Chamber of Minerals & Energy (CME) Women in Resources Awards.

Atlas' direct workforce is complemented by over 500 contractors (at the date of this report) working across Atlas' various mine sites, haulage and port operations.

Atlas structure has been designed to be flexible and "fit for purpose", with a lean and capable workforce across all areas of business activities.

Our organisational development strategy ensures our organisational structure is designed to better enable leadership and to support our people to do the right work at the right level with appropriate accountability and authority. We are committed to driving a high performance culture where leaders and teams within the business are clearly aligned to the long term strategic objectives of the organisation.

Atlas works closely with its contracting partners to engage them in identifying key health and safety risks on our sites and works collaboratively to manage these risks effectively.

LTIFR fell for the fifth consecutive year, by over 50% percent to 0.43

Actively involved in the Pilbara Industry Road Safety Alliance

Health and Safety

Atlas' first and overriding value is safety first.

Atlas' strategy for health and safety is built on the four pillars of exceptional leadership, engaged employees, risk management focus and enabling systems.

Atlas works closely with its contracting partners to engage them in identifying key health and safety risks on our sites and works collaboratively to manage these risks effectively.

Site-specific Safety Management Plans are in place at all Atlas sites and serve as the basis of how we ensure risks are identified, communicated, understood and managed at the right level across the business. The Safety Management Plans manage safety of all activities on site for both Atlas and our Contractors.

Integral to providing a safe working environment is to ensure the Company is tracking and reporting safety performance and reviewing incidents so as to continuously improve and reduce the risk of injury to our workforce.

As a large portion of the workforce at Atlas' operations are contractors, Atlas works very closely with its contracting partners and their workforce to enshrine a shared culture of working safely. Any incidents involving contractors are investigated with Atlas involvement and included in all of Atlas' safety reporting.

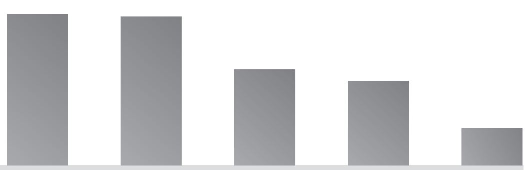
Lost Time Injury Frequency Rate

Atlas measures its safety performance by reporting on the lost time injury frequency rate (LTIFR). Pleasingly, Atlas' LTIFR fell for the fifth consecutive year, by over 50% percent, to 0.43 (see below).

Atlas recorded a 10% increase in its total reportable injury frequency rate (TRIFR) during a period which saw a significant reduction in hours worked and major challenges in the operating environment with projects completing, mines suspending and then recommencing production in the final quarter.

Whilst the fall in the LTIFR is a pleasing result, the increase in TRIFR is a result that Atlas will be working to reverse in 2016. Atlas will continue to focus on safety initiatives to reduce both the LTIFR and TRIFR by continuing its focus on visible safety leadership, an effective safety culture, and compliance to key safety management standards.

Road safety is a major focus for Atlas. With the proximity of its mines to Port Hedland, Atlas transports its product to port on road trains. The Company participates in a variety of road safety programs and is actively involved in the Pilbara Industry Road Safety Alliance.



Safety performance	2011	2012	2013	2014	2015
Lost time injury frequency rate (LTIFR)	1.77	1.74	1.12	0.99	0.43

Report on Operations

Atlas' report on operations should be read in conjunction with the Directors' Report and the Financial Statements.

Our strategy

Atlas' purpose is to deliver mineral products that create value for its shareholders, employees, customers and the communities in which the Company operates.

Atlas' strategy is to develop an expanding Pilbara production base, consistent with globally competitive mining operations, and to pursue profitable growth opportunities. Consistent with this philosophy, Atlas seeks to:

1. Defend and grow net cash flow by further reducing costs and maximising revenues. We are applying our cost-reduction skills to every aspect of the business while looking for opportunities to add value to our existing iron ore products.
2. Ensure the business continues to deliver incremental growth by optimising our production schedules. This is aimed at maximising production rates, particular from 2018 to 2022. We are also studying opportunities to complete low cost brownfields expansions which will support higher production rates with a longer mine life.
3. Address issues associated with the Company's debt as soon as possible. This process has the potential to create value for shareholders.

Our performance

Atlas has had a challenging year as a result of a significant and sustained fall in the iron ore price. The Company completed aggressive cost reduction initiatives; resulting in a significantly reduced cost base. Cost cutting programs focused predominantly on input cost reductions, productivity improvement, and value chain optimisation. Prior to April 2015, Atlas was on track to achieve guidance of 13.7 – 14.1M WMT (wet metric tonnes) shipped. In April 2015, with the iron ore price continuing to fall to a level below Atlas' breakeven price, Atlas was forced to suspend its operations at Abydos, Wodgina and Mt Webber whilst the Company completed a detailed review and revised operating plan. Subsequently the Company entered into new commercial arrangements with key contractors, culminating in a significantly reduced production cost base. Atlas' is now targeting a Break Even Price 62% Fe Index of US$50/DMT CFR.*

Atlas shipped 12.2Mt, compared with 10.9Mt in the previous year (FY14), despite the suspension of operations for a period in the June 2015 quarter.

Shipping

During the year Atlas delivered 121 shipments representing 12.2Mt of product to its customers. China remained the primary market however some 8 shipments were sold to India and a trial cargo was sold to South Korea. Late in the year the Company commenced production of a new lump product from its Abydos mine and 5 ½ shipments of that product took place prior to year end, with a premium price realised on lump product relative to fines.

Atlas shipped 12.2Mt, compared with 10.9Mt in the previous year (FY14), despite the suspension of operations for a period in the June 2015 quarter.

Note: ***Break Even Price**: The key assumptions underlying the estimated Break Even Prices above, are summarised below:

- AUD/USD $0.7850.
- “Break Even Price Estimate” based on nominal production run-rate and Full Cash Costs at 15Mtpa (i.e. 320kt/mth, 480kt/mth and 450kt/mth from Abydos, Wodgina and Mt Webber respectively).
- Sea freight of US$6.25/WMT.
- No Contractor Collaboration Deed cost assumed for Mt Webber, however estimated 10-12% mining cost savings (via the BGC Agreement).
- Private and State Royalties of 10.5% at Wodgina and 8.0% at Mt Webber and Abydos.
- Interest of 8.75% p.a. applied to secured debt of US$269M (i.e. A$343M at AUD/USD $0.785).
- Payment of margin to collaborating contractors (see ASX Announcement dated 15 May 2015) included for Wodgina and Abydos (Contractor Collaboration Margin).
- Moisture of 5.7%, 3.8% and 4.5% at Wodgina, Abydos and Mt Webber respectively (i.e. average expected moisture over next 24 months).
- Average assumed lump premium of A$10/DMT with lump contributing 66% and 50% of Abydos and Mt Webber product respectively. No lump product assumed to be produced at Wodgina.
- Initial lump production at Mt Webber from November 2015, growing during December 2015 to stated 50% of product tonnes.
- Average ‘Other’ contractual penalties of US$0.50/DMT assumed to provide for impurities not specified in contracts.
- Quality / Value in Use discount of 12.5%, relating to discounts for ore impurities.
- Average assumed grade of Atlas ore of 57.0% Fe, compared with benchmark grade of 62.0% Fe.
- WA State Government Royalty Relief not included in Break Even Price analysis.

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

All-in cash costs includes C1 Cash Costs, royalties, freight, corporate and administration, expensed exploration and evaluation but excludes interest expense, capital expenditure, one-off restructuring costs, suspension and ramp up costs of operating mine sites, Contractor Collaboration Margin and other non-cash expenses. C1 Cash Costs are inclusive of contractors and Atlas’ costs including any uplift in rates paid to collaborating contractors (see ASX Announcement dated 15 May 2015). All-in cash costs are derived from unaudited management accounts. This non-IFRS measure is unaudited.

Full Cash costs includes All-in cash costs’, capitalised exploration and evaluation, interest expense and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring costs, suspension and ramp up costs of operating mine sites, Contractor Collaboration Margin and other non-cash expenses. Full cash costs are derived from unaudited management accounts. This non-IFRS measure is unaudited.

WMT: Wet Metric Tonnes.

The following graph represents tonnes sold by Atlas, from each mine, for FY2011 to FY2015.

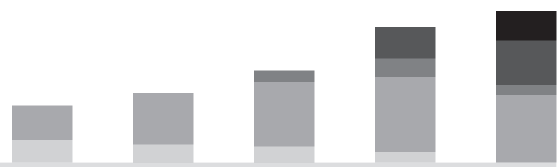
Now targeting a Break Even Price 62% Fe Index of

US$50/DMT CFR

Mining increased by 4% to 11.5Mt

11% increase in PROCESSING

Haulage increased by 10%

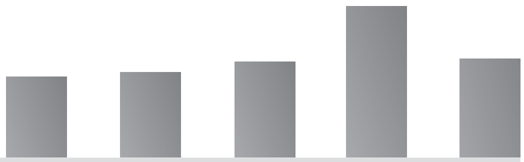


Annual Shipments		2011	2012	2013	2014	2015
Pardoo	*Tonnes*	1,833,644	1,462,070	1,289,880	844,314	-
Wodgina	*Tonnes*	2,755,627	4,105,656	5,206,305	6,057,086	5,453,330
Mt Dove	*Tonnes*			917,214	1,495,706	832,846
Abydos	*Tonnes*				2,523,702	3,547,693
Mt Webber	*Tonnes*					2,340,671

Mining increased by 4% to 11.5Mt compared to FY2014. Strong production at both Wodgina and Abydos, in conjunction with commencement of shipping from Mt Webber, resulted in mining increasing in FY2015.

Revenue

The following graph shows the growth in revenue at Atlas from FY2011 to FY2015.



Annual Revenue	2011	2012	2013	2014	2015
$ Million	584.9	617.5	695.1	1,097.6	718.5

Revenue from iron ore sales declined by 35% to $718 million for the year ended 30 June 2015 (2014: $1.098 billion) driven by a significant softening in the price received, this was partially offset by an 11% increase in sales volumes.

Operations

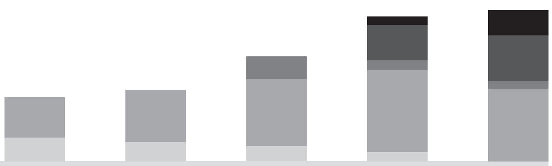
The following table summarises key production physicals for FY2015 in comparison to past years.

Production		FY11	FY12	FY13	FY14	FY15
Ore mined	*Million Tonnes (WMT)*	4.9	5.6	7.9	11.1	11.5
Ore processed	*Million Tonnes (WMT)*	4.5	5.5	7.3	11.0	12.2
Ore hauled	*Million Tonnes (WMT)*	4.5	5.5	7.4	11.1	12.2
Ore shipped	*Million Tonnes (WMT)*	4.6	5.6	7.4	10.9	12.2

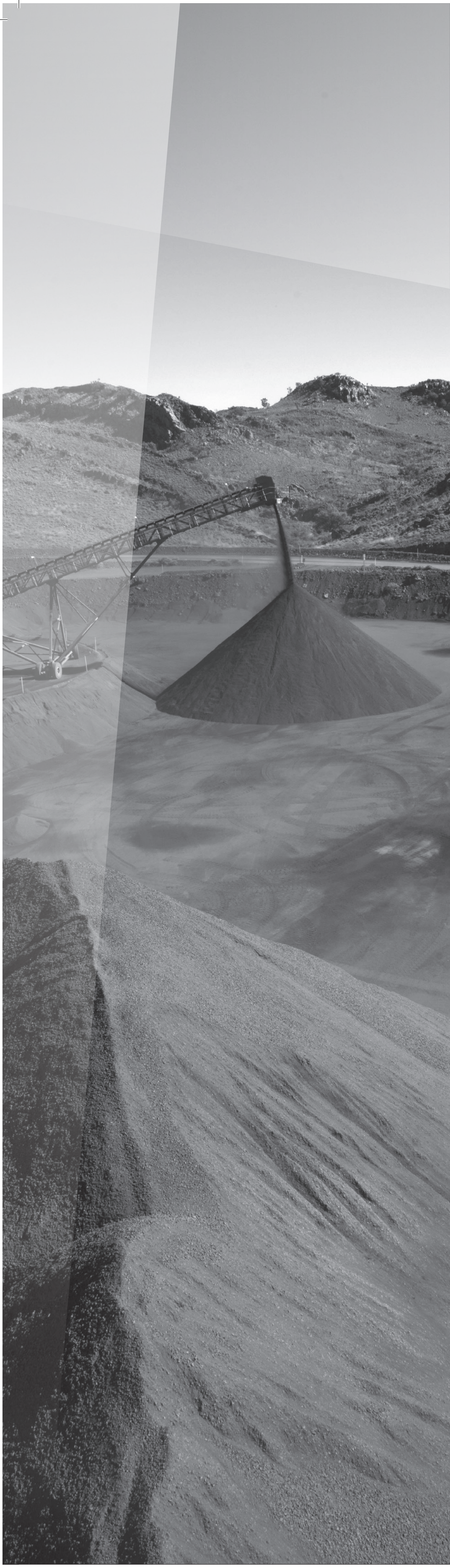
Mining

Mining increased by 4% to 11.5Mt compared to FY2014. Strong production at both Wodgina and Abydos, in conjunction with commencement of shipping from Mt Webber, resulted in mining increasing in FY2015.

The below graph represents mining at each operation from FY2011 to FY2015.



Annual Mining		2011	2012	2013	2014	2015
Pardoo	*Tonnes*	1,845,469	1,479,526	1,209,097	795,281	-
Wodgina	*Tonnes*	3,035,842	4,022,072	5,087,019	6,170,967	5,578,823
Mt Dove	*Tonnes*			1,669,402	742,434	577,941
Abydos	*Tonnes*				2,733,008	3,519,803
Mt Webber	*Tonnes*				680,307	1,852,383



Processing

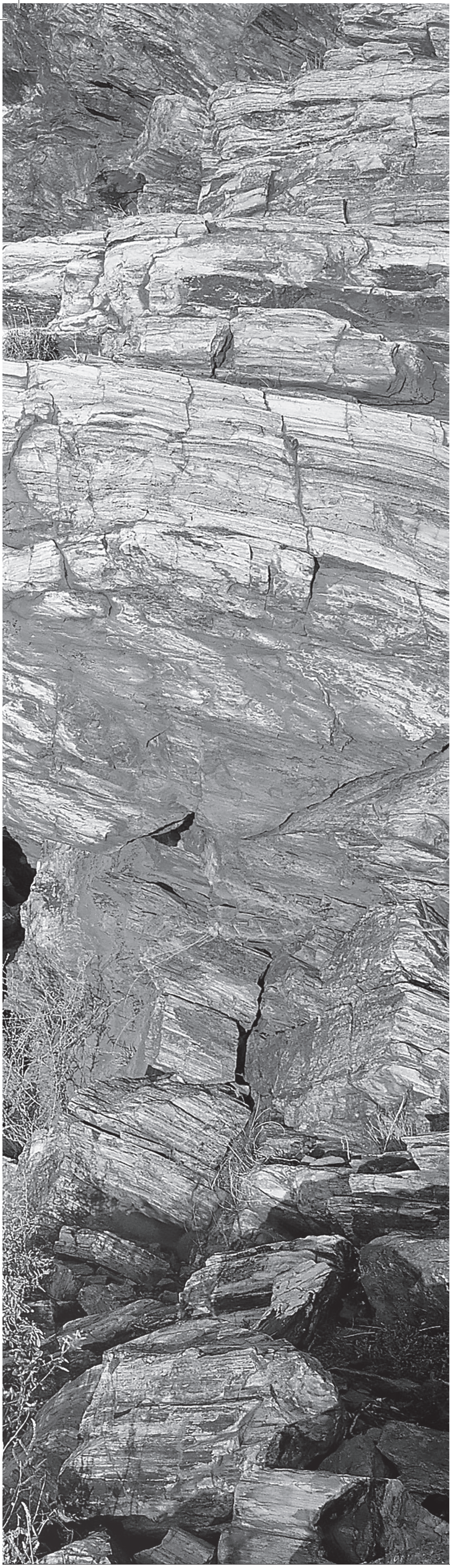
Processing increased by 11% compared to FY2014, driven mainly by improved plant reliability and productivity improvements, and the introduction of Atlas' most recent mine, Mt Webber.

Annual Processing		**2011**	**2012**	**2013**	**2014**	**2015**
Pardoo	*Tonnes*	1,715,160	1,449,405	1,208,373	823,170	-
Wodgina	*Tonnes*	2,810,488	4,042,798	5,126,242	6,155,880	5,601,694
Mt Dove	*Tonnes*			947,064	1,485,519	602,989
Abydos	*Tonnes*				2,555,479	3,679,161
Mt Webber	*Tonnes*					2,341,605

Haulage

Consistent with mining and processing, haulage increased 10% on the previous year. The continued growth in haulage reinforces the effectiveness and reliability of the haulage model and Atlas' haulage contractor, McAleese.

Annual Haulage		**2011**	**2012**	**2013**	**2014**	**2015**
Pardoo	*Tonnes*	1,678,629	1,438,822	1,288,152	842,326	–
Wodgina	*Tonnes*	2,783,040	4,044,436	5,193,516	6,156,113	5,511,916
Mt Dove	*Tonnes*			935,339	1,526,127	766,708
Abydos	*Tonnes*				2,556,807	3,547,879
Mt Webber	*Tonnes*					2,345,720



Atlas promotes a culture of responsible environmental management in order to protect the natural environment, indigenous communities and social surroundings.

Land Access, Heritage and Environment

Land Access

Atlas is committed to maintaining strong and respectful relationships with pastoralists and Traditional Owners impacted by its operations. Many of these relationships have been formalised through agreements which include commitments around minimising impacts to the environment and cultural heritage, compensation for access to land and employment and contracting responsibilities. As part of these agreements, Atlas actively supports the delivery of cross cultural awareness training to its entire workforce.

Atlas met regularly with its key stakeholders throughout the year, including hosting a mine tour of its Wodgina operations for members of the Kariyarra Native Title Claim group and neighbouring Yandeyarra Community in March 2015.

Atlas is committed to providing opportunities for Traditional Owners impacted by its operations. Aligned with this commitment, Atlas continues to work closely with its major contractors to develop and maximise Aboriginal employment and contracting opportunities.

Atlas continues to maintain a systematic approach to tenure management. During the year Atlas completed a comprehensive assessment of its extensive tenure portfolio to ensure alignment with the needs of existing production projects and future growth projects.

Heritage

Atlas is committed to minimising impacts on Aboriginal sites within our operational areas.

Surveys for exploration drilling at Mt Webber and Wodgina, and proposed development infrastructure at McPhee Creek were the focus of Atlas' Aboriginal heritage survey activities during the year. Atlas received the necessary heritage approvals for the continued development of its mining operations.

During August 2014, Atlas facilitated an extensive archaeological excavation of the Yurlu Kankala cave at the Abydos mine. This excavation involved Njamal Traditional Owners, the University of Western Australia Archeological Department, and heritage consultants Big Island Research.

A highlight of the year was an on-country consultation and camping trip facilitated by the Budadee Foundation, one of Atlas' key stakeholders in the eastern Pilbara. This camping trip was attended by Atlas executives and management, including Managing Director David Flanagan, Palyku representatives and senior lawmen from Ngarla, Martu, Kariyarra, Njamal and Nyiyaparli.

Environment

Atlas promotes a culture of responsible environmental management in order to protect the natural environment, indigenous communities and social surroundings. Atlas ensures a systematic approach to environmental management and is continually working to improve its environmental performance.

During the year Atlas has secured brownfield approvals to continue development of its existing operations. Atlas also completed baseline environmental surveys and studies for the greenfield McPhee Creek and Corunna Downs projects in anticipation of future environmental approvals.

Atlas and its contractors have maintained environmental licences at all of its operations throughout periods of production, suspension of mining, and care and maintenance during difficult economic times. Atlas also maintained compliance with all environmental monitoring and reporting requirements.

During the year rehabilitation works were undertaken at both the Pardoo and Mt Dove mines following the completion of mining in accordance with Mine Closure Plans approved by the Department of Mines and Petroleum. A detailed Mine Closure Plan was also drafted for the Wodgina mine and submitted to the Department of Mines and Petroleum for review.

Atlas together with the Pilbara Ports Authority developed an Environmental Improvement Plan for the Utah Point Port Stockyard 2, which was approved by the Department of Environment Regulation. Atlas is the sole exporter from Stockyard 2 and is committed to the implementation of environmental improvements aims to ensure that operation of the current Stockyard 2 facility does not unreasonably interfere with the health, welfare, convenience or amenity of the Port Hedland community.

With the shift in priority towards improved definition of existing resources, brownfields development and a sustained cost reduction focus, Atlas has still managed to grow its overall Mineral Resource inventory across the period by 6Mt, inclusive of mining depletion.

GROWTH OF 6Mt to overall Mineral Resource inventory across the period

Exploration and Resource Development

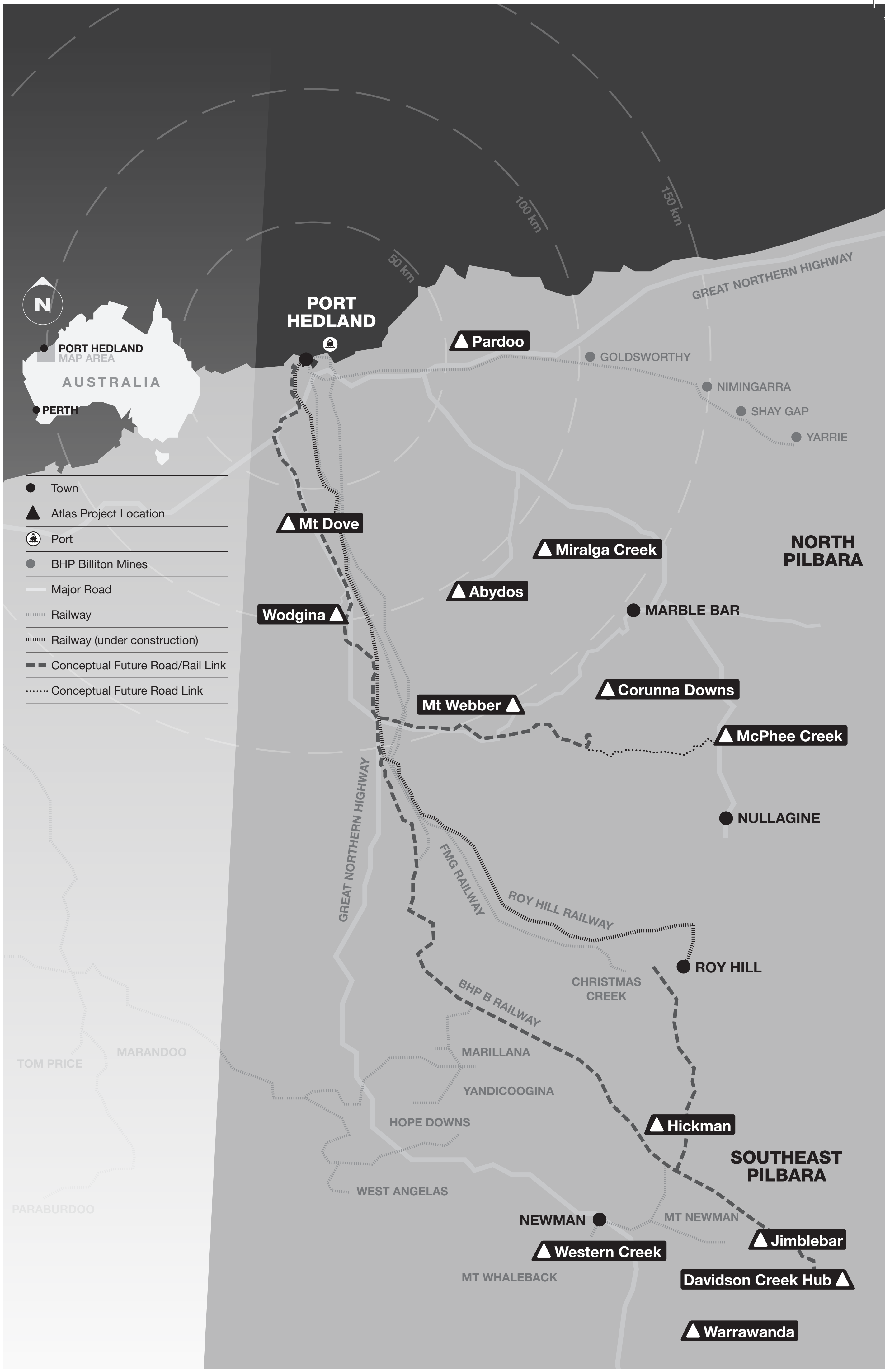
With a focus on increasing its near-term production profile in FY2015 Atlas refocussed its exploration towards brownfields resource growth and resource development drilling. This is supported by an ongoing baseline of exploration activities, primarily within trucking distance to Part Hedland. The main areas of focus for resource definition drilling have been Abydos and Mt Webber while exploration drilling programs were completed during the reporting period at the Corunna Downs project.

A total of 493 RC drill holes were completed for a total of 27,712 metres. Of these, 2,894 metres (31 holes) was exploration drilling on the Glen Herring and Runway deposits at Corunna Downs. The Corunna Downs Project has continued to develop as a strategic key for Atlas, with this ongoing exploration activity leading to a maiden 14Mt Inferred Mineral Resource for Glen Herring, increasing the total Mineral Resource for the Project to 65Mt.

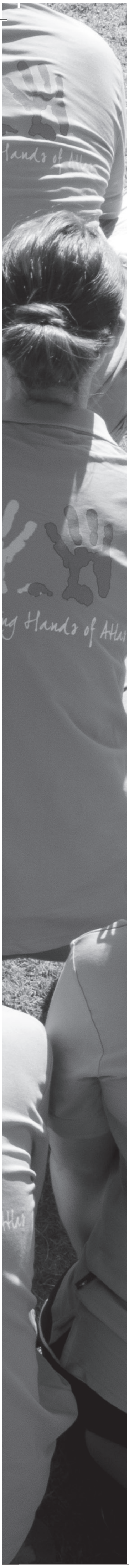
In addition to the activity at Corunna Downs, ongoing exploration and resource modelling work at Miralga Creek has resulted in a maiden Inferred Mineral Resource of 4Mt. Located in close proximity to Abydos, Miralga Creek is developing into another exciting project that shows Atlas' renewed focus in and around existing operations is the key to building a broad pipeline of opportunities to sustain its production profile in the longer term.

Combined with this 18Mt of organic resource growth from exploration activity, resource development drilling on the Ibanez deposit at Mt Webber (390 holes for 20,748m) has not only provided increased confidence through better definition, but has also resulted in a 1.7Mt increase in the total Mineral Resource (before mining depletion). Resource development activity on the Abydos Stage 2 deposits of Scarborough, Leighton and Contacios (72 holes for 4,070m) has been invaluable in enhancing the understanding of these resources prior to the commencement of mining.

With the shift in priority towards improved definition of existing resources, brownfields development and a sustained cost reduction focus, Atlas has still managed to grow its overall Mineral Resource inventory across the period by 6Mt, inclusive of mining depletion.


PORT HEDLAND
N
PORT HEDLAND
MAP AREA
AUSTRALIA
PERTH
Town
Atlas Project Location
Port
BHP Billiton Mines
Major Road
Railway
Railway (under construction)
Conceptual Future Road/Rail Link
Conceptual Future Road Link
50 km
100 km
150 km
GREAT NORTHERN HIGHWAY
Pardoo
GOLDSWORTHY
NIMINGARRA
SHAY GAP
YARRIE
Mt Dove
Miralga Creek
NORTH
PILBARA
Abydos
Wodgina
MARBLE BAR
Corunna Downs
Mt Webber
McPhee Creek
NULLAGINE
GREAT NORTHERN HIGHWAY
FMG RAILWAY
ROY HILL RAILWAY
ROY HILL
CHRISTMAS
CREEK
BHP B RAILWAY
TOM PRICE
MARANDOO
MARILLANA
YANDICOOGINA
HOPE DOWNS
Hickman
SOUTHEAST
PILBARA
WEST ANGELAS
PARABURDOO
NEWMAN
MT NEWMAN
Jimblebar
Western Creek
MT WHALEBACK
Davidson Creek Hub
Warrawanda


The Helping Hands of Atlas



Atlas is committed to making a positive difference in the communities in which it operates and is dedicated to fostering enduring relationships with its key community stakeholders. These relationships are based upon transparency and a commitment to develop mutually beneficial long-term partnerships.

Atlas in the Community

Community Engagement

Atlas is committed to making a positive difference in the communities in which it operates and is dedicated to fostering enduring relationships with its key community stakeholders. These relationships are based upon transparency and a commitment to develop mutually beneficial long-term partnerships.

The Minister for Mines and Petroleum, the Hon. Bill Marmion officially opened Atlas' fifth mine, Mt Webber in July 2014. The opening commenced with a Welcome to Country by Alice Mitchell of the Njamal people, the Traditional Owners of the land at Mt Webber.

Atlas prides itself on supporting local communities and positively contributing to those communities whenever possible. In September 2014, Atlas and BGC hosted a mine site excursion for the Yandeyarra Remote Community School at Atlas' Wodgina mine. The tour gave the students and the local community the opportunity to see an operating mine for the first time.

For many years Atlas has supported and attended the Yandeyarra Remote Community School Christmas Party. The night involved handing out certificates, awards and graduation gifts to the students followed by a special visit from a Santa stand-in from the Wodgina team. Atlas' Abydos team was also involved with the community Christmas party for the children of Marble Bar with an Atlas staff member volunteering to be Santa for the day.

Community Investment

Atlas and its people have a proud tradition of supporting the communities in which it operates with support being provided in a range of ways. Through a combination of community partnerships, regional and philanthropic grants and employee engagement activities Atlas aims to create an enduring positive legacy.

Atlas employees have taken an active role in various fundraising activities throughout the year enabling the donation of personally raised funds to charities of their choice including Youth Focus and Cancer Council of WA.

In March 2015, Atlas employees participated in the annual Community Day. This year volunteers assisted at Manna Inc in the preparation of meals for the homeless and disadvantaged, prepared food parcels for school children, assisted Manna Inc with organising its facilities and prepared gifts for elderly citizens who are supported by Manna Inc. Atlas volunteers have achieved great results previously completing such projects as building community gardens, enclosures for rescued animals, cooking for seniors and painting creative spaces at the Youth Centre in South Hedland.

In recognition of the success of Atlas' community days and its innovative approach to volunteering, Atlas was a finalist in the Volunteering WA Volunteer of the Year awards in the Corporate Volunteering category for the second time in three years.

Atlas Community Partnerships are multi-year partnerships aimed at delivering significant outcomes for the community, with a particular focus on communities in the Pilbara. One of the Community Partnerships Atlas is very proud of is its involvement with Many Rivers, a not-for-profit organisation that provides aspiring business owners with micro enterprise development support and access to finance. Over the three years of Atlas' partnership Many Rivers has established an office in Port Hedland and assisted dozens of businesses in the Pilbara region, 90% of which are indigenous.

Atlas also actively supports a number of key community events in Port Hedland and Marble Bar including the North West Festival and the Marble Bar Cup and Ball.

Co-hosted a mine site excursion for the Yandeyarra Remote Community School

In March 2015, Atlas employees participated in the

ANNUAL COMMUNITY DAY


McALEESE
McALEESE
KOMATSU
PH: 08 9091 2995
WA500

Mineral Resource and Ore Reserve Report

The Mineral Resources and Ore Reserves in the following tables are as of 30 June 2015. Comparative totals from June 2014 are provided for reference.

2015 Mineral Resources

Iron Ore (a)	Likely Mining Method (b)	Measured Resources at end June 2015 Tonnage Kt	Measured Resources at end June 2015 Grade % Fe	Indicated Resources at end June 2015 Tonnage Kt	Indicated Resources at end June 2015 Grade % Fe	Inferred Resources at end June 2015 Tonnage Kt	Inferred Resources at end June 2015 Grade % Fe	**Total Resources at end June 2015 Tonnage Kt**	**Total Resources at end June 2015 Grade % Fe**	Total Resources at end of June 2014 Tonnage Kt	Total Resources at end of June 2014 Grade % Fe	Atlas Interest %	Reporting Cut-Off Fe%
Pardoo	O/P	-	-	-	-	9,000	55.7	**9,000**	**55.7**	9,000	55.7	100	53
Abydos (c)	O/P	-	-	13,100	57.2	6,000	56.7	**19,100**	**57.1**	22,100	57.1	100	50
Wodgina (d)	O/P	2,200	56.2	13,200	56.5	17,000	54.0	**32,400**	**55.1**	40,300	55.4	100	53
Mt Webber – (e, f)	O/P	35,300	58.3	25,100	55.3	1,800	57.3	**62,200**	**57.1**	63,300	56.9	100	50
McPhee Creek	O/P	32,900	57.4	205,000	56.2	9,000	55.0	**246,900**	**56.3**	246,900	56.3	100	48.5
Miralga Creek (g)	O/P	-	-	-	-	4,000	57.6	**4,000**	**57.6**	0	0.0	100	50
Corunna Downs (h)	O/P	-	-	20,000	57.3	45,000	57.3	**65,000**	**57.3**	51,000	57.3	100	50
Mid-West	O/P	-	-	-	-	12,000	60.0	**12,000**	**60.0**	12,000	60.0	100	50
Hickman	O/P	-	-	-	-	70,000	55.4	**70,000**	**55.4**	70,000	55.4	100	50
Western Creek	O/P	-	-	-	-	79,000	56.0	**79,000**	**56.0**	79,000	56.0	100	50
Jimblebar	O/P	-	-	41,100	58.1	28,000	55.6	**69,100**	**57.1**	69,100	57.1	100	50-53
Warrawanda	O/P	-	-	-	-	24,000	56.8	**24,000**	**56.8**	24,000	56.8	100	53
Davidson Creek Hub	O/P	43,200	57.9	339,100	55.9	94,000	55.8	**476,300**	**56.0**	476,300	56.0	100	50
West Pilbara	O/P	-	-	-	-	38,000	53.6	**38,000**	**53.6**	38,000	53.6	100	50
Total Mineral Resources		113,600	57.9	656,600	56.2	436,800	55.8	**1,207,000**	**56.2**	1,201,000	56.1		

Mineral Resources are reported inclusive of Ore Reserves

a) Iron Ore Mineral Resource tonnes are reported on a dry weight basis, tonnes are rounded according to JORC category with grades carried through unaffected by rounding.

b) Likely mining method: O/P=Open Pit.

c) Abydos Mineral Resource has increased as a result of drilling and remodelling at Leighton and decreased due to production at Trigg and Mettams and drilling and remodelling at Scarborough.

d) Wodgina Mineral Resource has reduced due to production at Avro, Constellation, Dragon, and Hercules.

e) The Mt Webber Mineral Resource increased due to drilling and remodelling at Ibanez and then subsequently reduced due to production at Ibanez.

f) Mt Webber Mineral Resource for Ibanez, Fender and Gibson is no longer subject to third party JV, Atlas interest has increased from 70% to 100%.

g) Maiden Mineral Resource at Miralga Creek released May 2015.

h) Corunna Downs Mineral Resource increased due to the maiden Mineral Resource for Glen Herring, reported May 2015.

i) Other Mineral Resources remain unchanged from 30 June 2014.

2015 Ore Reserves

	Product Type (a,b)	Proved Ore Reserves at end June 2015 Kt	% Fe	Probable Ore Reserves at end June 2015 Kt	% Fe	**Total Ore Reserves at end of June 2015 (c) Kt**	**% Fe**	Total Ore Reserves at end of June 2014 Kt	% Fe	Atlas Interest %	Reporting Cut-Off % Fe
Abydos (d)	Standard Fines	200	56.3	7,200	57.2	**7,400**	**57.2**	11,300	57.2	100	52.0
Wodgina (d)	Standard Fines	300	55.9	7,100	57.2	**7,400**	**57.1**	13,600	57.1	100	54.0 – 54.5
Wodgina (d)	Value Fines	-	-	3,000	53.3	**3,000**	**53.3**	3,200	53.3	100	50.0
Mt Webber (d)	Standard Fines	32,300	58.2	20,900	55.8	**53,200**	**57.2**	54,800	57.1	100	50.0 – 53.5
McPhee Creek	Standard Fines	29,700	57.1	158,500	55.8	**188,200**	**56.0**	188,200	56.0	100	48.5
Davidson Creek Hub	Standard Fines	31,300	58.1	207,700	56.2	**239,000**	**56.5**	239,000	56.5	100	50.0 – 52.0
Port Stocks	Standard Fines	100	56.6	-	-	**100**	**56.6**	100	57.1	100	-
Total Ore Reserves (c)		93,900	57.8	404,400	56.0	**498,300**	**56.4**	510,200	56.4		

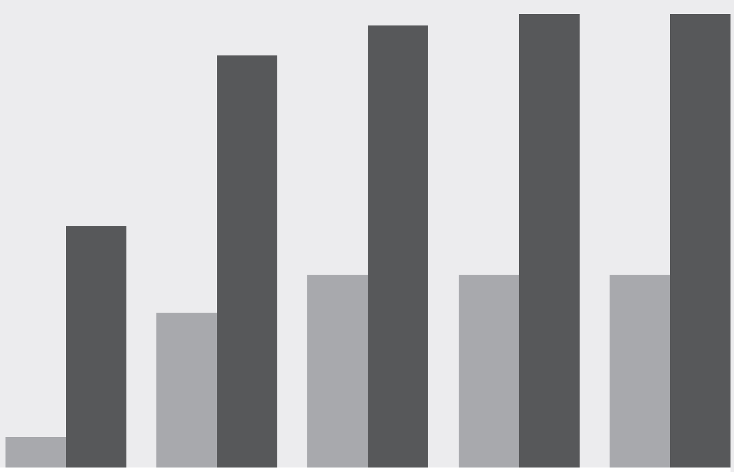
a) All Ore Reserves are Iron Ore, reported on a dry weight basis, to be mined by open pit method or located in stockpiles.

b) Standard Fines product targets a grade above or at 57% Fe. Value Fines are a lower grade product.

c) The presented tonnages and grades are rounded. Total tonnages and grade are summed on the raw data then rounded.

d) Ore Reserves at Abydos, Wodgina and Mt Webber decreased following production depletion.

The following graphs show the changes in Atlas' Ore Reserves and Mineral Resources between FY2011 and FY2015.



Atlas Mineral Resources and Ore Reserves		**2011**	**2012**	**2013**	**2014**	**2015**
Ore Reserves	*Billion tonnes*	0.08	0.41	0.51	0.51	0.5
Mineral Resources	*Billion tonnes*	0.64	1.09	1.17	1.20	1.20

Mineral Resources and Ore Reserves Corporate Governance

Atlas has an established Ore Reserve Steering Committee (ORSC) that oversees the Mineral Resources and Ore Reserves processes and reporting. The ORSC includes management from geology, operations and mine planning. It meets regularly and is responsible for reconciliation, estimation and reporting of Mineral Resources and Ore Reserves. Ore Reserves undergo rigorous governance and signoff processes extending to all disciplines responsible to satisfy JORC compliance with this process audited by external consultants.

Atlas continues to develop its internal systems and controls in order to maintain JORC (2012) compliance in all external reporting, including the preparation of all reported data by Competent Persons as members of the Australasian Institute of Mining and Metallurgy.

Competent Persons Statements

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

This mining Mining Resource and 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 – 2012 Edition).

Ore Reserve Estimation – Wodgina, Abydos, Mt Webber, McPhee Creek and Ore Stocks at Utah Port

The information in this report that relates to Ore Reserve estimations for the Wodgina, Abydos, Mt Webber, McPhee Creek Areas and ore stocks at Utah Port, is based on information compiled under the guidance of and audited by Mr Srinivasa Rao Gadi, who is a member of the Australasian Institute of Mining and Metallurgy. Srinivasa Rao Gadi is a full time employee and shareholder of Atlas. Srinivasa Rao Gadi 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Srinivasa Rao Gadi 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 Jeremy Peters, who is a Fellow and Chartered Professional Mining Engineer and Chartered Professional Geologist of the Australasian Institute of Mining and Metallurgy. Jeremy Peters is a full time employee of Snowden Mining Industry Consultants Pty Ltd. Jeremy Peters 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Jeremy Peters 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 – Atlas DSO Projects (excluding Davidson Creek Hub)

The information in this report that relates to mineral resource results on Atlas' DSO Projects other than Davidson Creek Hub and is based on information compiled by Mr Leigh Slomp who is a member of the Australasian Institute of Mining and Metallurgy. Leigh Slomp is a full time employee and shareholder of Atlas. Leigh Slomp 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Leigh Slomp consents to the inclusion in this 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 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. John Graindorge 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Graindorge consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

financial report 2015

for the year ended 30 June 2015

Directors

The Directors of Atlas Iron Limited (the Company) present their report together with the financial statements of the Group comprising the Company and its subsidiaries (together referred to as the Group or Atlas) and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2015 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

Cheryl Edwardes (Hon) LLM B.Juris B.A. GAICD (Non-Executive Chairman)
Cheryl Edwardes (Hon) was appointed Non-Executive Director of Atlas Iron Limited on 6 May 2015 and subsequently as Non-Executive Chairman on 11 June 2015 (Period of service: 0 years and 2 months).

A solicitor by profession, Mrs Edwardes is a former Minister in the Western Australian Government with extensive experience and knowledge of WA's legal and regulatory framework relating to mining projects, environmental, native title, heritage and land access.

During her political career, Mrs Edwardes held positions including WA Attorney General, Minister for the Environment and Minister for Labour Relations. She also has broad experience and networks within China's business community. Mrs Edwardes is Chairman of Vimy Resources Limited (ASX: VMY) and Chairman of Edconnect (formerly) School Volunteer Program.

Mrs Edwardes is a member of the Remuneration and Nomination Committee (effective 1 July 2015) and is a member of the Audit and Risk Management Committee (effective 1 July 2015).

David Flanagan BSc, WASM, MAusIMM, CitWa, FAICD (Managing Director)
Mr Flanagan is a Geologist with more than 25 years' experience in the mining industry, having worked in a variety of roles from mining operations, exploration, development and corporate.

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. More recently Mr Flanagan resumed the role of Managing Director on 11 June 2015 (Period of service: 10 years and 11 months).

Mr Flanagan is the Chancellor of Murdoch University. During 2014 Mr Flanagan was named the Western Australian of the Year and West Australian Business Leader of the Year.

Ken Brinsden BEng, WASM, MAusImm (Executive Director)
Mr Brinsden was appointed as Managing Director on 22 February 2012 and transitioned into an Executive Director role on 11 June 2015 (Period of service: 3 years 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 a significant Pilbara 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.

Sook Yee Tai CPA (Non-Executive Director)
Ms Tai was appointed as a Non-Executive Director on 2 June 2010 (Period of service: 5 years).

Ms Tai has over 30 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 and 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 and Investments at the IMC Pan Asia Alliance Group, where she was responsible for the alignment of Group strategies and investments, and overseeing 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 Chairman of the Remuneration and Nomination Committee (effective 1 July 2015) and is a member of the Audit and Risk Management Committee.

Directors' Report (continued)

Jeff Dowling BComm FCA, FAICD, FFin (Non-Executive Director)
Mr Dowling was appointed as a Non-Executive Director on 8 November 2011 (3 years 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 Telethon Institute for Child Research Ltd.
Mr Dowling is currently Chairman of Sirius Resources NL (ASX: SIR), a Director of NRW Holdings Limited (ASX: NRW) and a Director of Pura Vida Energy (ASX: PVD). During the last three years, Mr Dowling has been a Director of Neptune Marine Services Limited (ASX: NMS).

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

Mark Hancock BBus, CA, FFin
Mr Hancock was appointed as Executive Director - Commercial on 25 May 2012 and resigned from the Board on 2 December 2014 (Period of service: 2 years and 7 months).

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 17% by Atlas.

Mr Hancock has resumed the role he held previously of Chief Commercial Officer and continues as Joint Company Secretary – appointed on 4 July 2008.

David Hannon BEc, FFin
Mr Hannon was appointed as a Non-Executive Director on 6 August 2004 and resigned from the Board on 10 March 2015 (Period of service: 10 years and 6 months).

David Smith PhD, BSc Hons, FAICD, FAIM, FWLG
Dr Smith was appointed as a Non-Executive Director on 6 November 2009 and resigned from the Board on 31 May 2015 (Period of service: 5 years and 6 months).

Kerry Sanderson AO BSc, BEcons, Hon DLitt, FIPAA, MAICD
Ms Sanderson was appointed as a Non-Executive Director on 21 February 2012 and resigned from the Board on 19 September 2014 (Period of service: 2 years and 6 months).

Geoffrey Simpson LLB, BJuris, MAICD
Mr Simpson was appointed as a Non-Executive Director on 25 May 2012 and resigned from the Board on 2 December 2014 (Period of service: 2 years and 7 months).

Group Company Secretaries

Yasmin Broughton B.Comm, PG Dip Law, GAICD
Ms Broughton was appointed Company Secretary and General Counsel on 30 January 2014 (Period of service: 1 year and 5 months).

Ms Broughton has over 10 years' experience as a Company Secretary and General Counsel and has worked with a number of ASX listed companies including Emerchants Limited (ASX: EML) and Alinta Limited (ASX: AAN). Prior to this, Ms Broughton was a senior associate at a leading Australian domestic law firm specialising in mergers and acquisitions, corporate governance, equity capital markets transactions and other company law matters.

Ms Broughton is admitted to practice as a lawyer in Western Australia and has Executive and non-Executive board experience in private and not for profit organisations. Ms Broughton is also a nationally qualified mediator.

Mark Hancock BBus, CA, FFin (Chief Commercial Officer and Joint Company Secretary)
Mr Hancock joined Atlas as Chief Commercial and Financial Officer in July 2006 and was appointed Joint Group Secretary on 4 July 2008. Refer above for details of Mr Hancock's experience and directorships.

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
Cheryl Edwardes (Hon)	208,100	200,000	-
David Flanagan	6,840,000	4,000,000	-
Ken Brinsden	3,209,745	2,500,000	3,290,632
Sook Yee Tai	-	-	-
Jeff Dowling	725,000	600,000	-

Dividends

Directors resolved not to pay a dividend for the year ended 30 June 2015.

Principal activities

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

OPERATING AND FINANCIAL REVIEW

Atlas' purpose is to deliver mineral products that create value for all stakeholders including shareholders, customers, suppliers, and the communities in which the Group operates. In order to achieve this goal, Atlas' strategy is to consolidate its current production base with a competitive cost base, and to pursue opportunities through optimising near term production to maximise profitability and cash flow, developing customer and market focused solutions, and maintaining options for growth, should market conditions allow.

A discussion on factors that will impact the achievement of our Strategy can be found later in this Operating and Financial Review in "Factors and business risks that affect future performance".

Performance Indicators

Management and the Board use a number of financial and operating performance indicators to measure performance over time against our overall strategy. Selected performance indicators are summarised below:

	2015	2014	2013
Revenue			
Tonnes sold ('000 WMT)	12,175	10,921	7,413
Revenue (AU$'000)	718,474	1,097,617	695,137
Average price per tonne received (including Value fines) (AU$/WMT CFR)	59.96	100.51	93.77
Operating Results			
Underlying cash gross margin (AU$'000)*	(23,360)	319,594	194,061
Underlying EBITDA (AU$'000)*	(51,494)	257,855	121,309
Underlying (loss)/profit after tax (AU$'000)*	(240,168)	18,590	(73,193)
C1 cash costs (AU$/WMT FOB)	45.74	50.95	49.91
All-in cash costs (AU$/WMT)**	64.23	76.80	76.27
Full cash costs (AU$/WMT)***	68.95	89.93	92.14
Liquidity			
Cash flow from operations (AU$'000)	(67,087)	289,201	141,753
Cash (AU$'000)	73,305	264,242	416,922
Working capital (AU$'000)	2,563	208,081	334,680
Borrowings (AU$'000)	(339,520)	(288,356)	(287,438)

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

** All-in cash costs includes C1 cash costs, royalties, freight, corporate and administration, expensed exploration and evaluation but excludes interest expense, capital expenditure, one-off restructuring costs, suspension and ramp up costs of operating mine sites, contractor collaboration margin and other non-cash expenses. C1 cash costs are inclusive of contractors and Atlas' costs including contractor rate uplift. All-in cash costs are unaudited.

*** Full cash costs includes All-in cash costs, capitalised exploration and evaluation, interest expense and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring and suspension costs of operating mine sites, contractor collaboration margin and other non-cash expenses. Full cash costs are unaudited.

Directors' Report (continued)

Revenue

Tonnes sold (WMT) have increased by 11.5% from the prior year, notwithstanding the suspension of mining operations in the June 2015 quarter. This increase is attributable to the Mt Webber mine. At the date of this report mining operations have been reinstated at all mine sites.

The table below outlines the breakdown of product that was shipped over the current and previous two years:

	30-Jun-15 WMT millions	30-Jun-14 WMT millions	30-Jun-13 WMT millions
Atlas fines	11.6	9.6	5.9
Atlas lump	0.5	-	-
Value fines	0.1	1.3	1.5
Total	**12.2**	10.9	7.4

Revenue for the year ended 30 June 2015 was AU$718.5 million following the sale of 12.2 million tonnes of iron ore at an average realised selling price of AU$59.96 per tonne. The reduction of revenue by 34.5% has resulted primarily from a reduction in the average realised price by AU$40.55 per tonne (40.3%), offset by an increase in tonnes sold of 11.5%.

Operating Results

Underlying cash gross margin

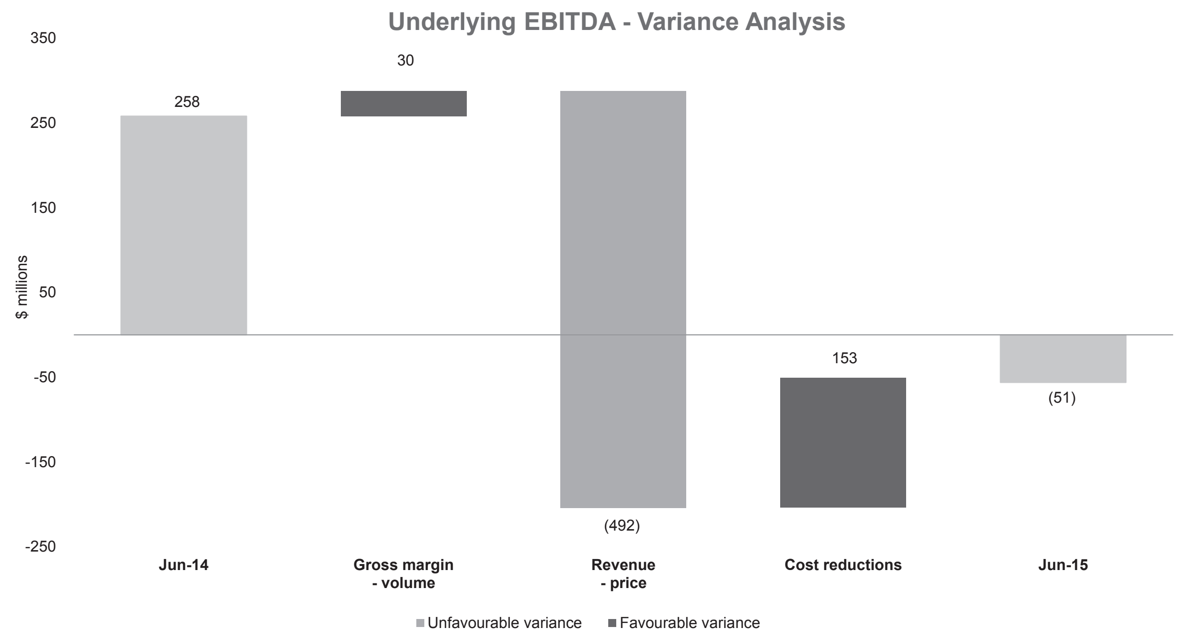
The following table reconciles underlying cash gross margin to statutory (loss)/profit after tax:

	30-Jun-15 $ 000's	30-Jun-14 $ 000's	30-Jun-13 $ 000's
Underlying cash gross margin*	**(23,360)**	319,594	194,061
Unwind of port prepayment included in operating costs	(5,289)	(14,926)	(6,265)
Exploration and evaluation expense	(5,189)	(9,042)	(26,533)
Other income and gain on dilution of associate	2,737	4,652	3,259
Loss on sale of assets	(1,071)	(173)	(696)
Other costs	(27,310)	(41,781)	(33,655)
Share of loss of associates and joint ventures and gain/(loss) on financial instruments	7,988	(469)	(8,862)
Underlying EBITDA*	**(51,494)**	257,855	121,309
Depreciation and amortisation	(117,793)	(207,893)	(98,741)
Underlying EBIT*	**(169,287)**	49,962	22,568
Net finance expense	(31,542)	(24,860)	(14,696)
Net foreign exchange (loss)/gain	(39,339)	37	(8,338)
Underlying (loss)/profit before tax*	**(240,168)**	25,139	(466)
Underlying tax expense*	-	(6,549)	(72,727)
Underlying (loss)/profit after tax*	**(240,168)**	18,590	(73,193)
Inventory writedown	(29,769)	(10,017)	-
Impairment of assets	(980,371)	(17,811)	(259,982)
Derecognition of deferred tax asset	(67,003)	-	-
Restructuring costs**	(28,092)	(5,435)	-
Suspension costs**	(24,711)	-	-
Provision for settlement	(4,146)	-	-
Net impact of business combinations	(3,566)	-	1,173
MRRT tax benefit	-	28,925	86,930
Statutory (loss)/profit after tax	**(1,377,826)**	14,252	(245,072)

* The underlying basis is a non-IFRS measure that in the opinion of Atlas' Directors provides useful information to assess the financial performance of the Group. These non-IFRS measures are unaudited.
** Restructuring costs and suspension costs includes non-cash onerous lease cost of AU$19.5 million and the BGC settlement cost of AU$19.4 million, which was settled in equity subsequent to year end.

Underlying EBITDA and EBIT

The following graph shows a comparison of underlying EBITDA for the year ended 30 June 2015 compared to the prior year:



Underlying EBITDA has primarily been impacted by a 40.3% decrease in the average iron ore price received. This was partially offset by a significant (16.4%) reduction in the Company's all-in cash cost per tonne. Cost reductions achieved did not match the rate of decline experienced in the iron ore price.

EBIT was also impacted by a 43.3% decrease in depreciation to AU$117.8 million as a result of large impairments in the carrying value of exploration and mine assets.

Underlying loss after tax

The underlying loss after tax is (AU$240.2) million from a profit of AU$18.6 million in the prior year due to the reduction in the underlying EBIT outlined above, and a reduction in the AUD/USD exchange rate resulting in higher interest and unrealised foreign exchange charges on the USD denominated debt facility.

Statutory loss after tax

The statutory earnings after tax has fallen by AU$1,392.1 million from the prior year to a loss of AU$1,377.8 million due to significant writedowns and one off costs, including:

- impairment charges on assets of AU$980.4 million;
- derecognition of deferred tax assets of AU$67.0 million;
- inventory valuation writedown of AU$29.8 million;
- restructuring costs, the majority of which were onerous lease provisions, of AU$28.1 million;
- suspension costs of AU$24.7 million; and
- the impact of settlement costs and business combinations of AU$7.7 million.

The impairment of AU$980.4 million accounted for the majority of the reduction in non-current assets of AU$1,070.7 million.

C1 cash cost per tonne

C1 cash costs per tonne decreased by 10.2% (AU$5.21 per tonne) from the prior year to AU$45.74 per tonne associated with significant cost reduction initiatives implemented during the year.

All-in cash cost per tonne

All-in cash costs per tonne decreased by 16.4% (AU$12.57 per tonne) from the prior year to AU$64.23 per tonne due to a reduction in C1 cash costs, freight, royalties, corporate costs and other overheads.

Full cash cost per tonne

Full cash cost per tonne decreased 23.3% (AU$20.98) from the prior year to AU$68.95 due to a reduction in All-in cash costs, sustaining capital and higher tonnes sold.

Liquidity

Net operating cash flows and funding from equity and debt markets are the Company's main sources of cash. These cash flows have been fundamental to the Company's ability to fund the commencement of and ongoing operations of its existing mine sites.

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 24 to the financial statements:

	30-Jun-15 $ 000's	30-Jun-14 $ 000's	30-Jun-13 $ 000's
Cash (used in)/from operations	(49,893)	290,355	152,757
Interest received	2,315	7,888	15,529
Exploration and evaluation expenditure payments	(5,189)	(9,042)	(26,533)
Restructuring/suspension costs	(14,320)	-	-
Net operating cash flows	**(67,087)**	289,201	141,753
Payments for property, plant and equipment and intangible assets	(15,645)	(20,371)	(75,168)
Payments for mine development and reserve development	(86,781)	(332,947)	(212,857)
Stamp duty paid	(1,694)	(18,911)	(48,900)
Loan to joint operation partner	(6,636)	(12,606)	-
Proceeds from/(payments for) bank guarantees	21,248	2,590	(2,440)
Other	8,450	(6,151)	(7,257)
Net investing cash flows	**(81,058)**	(388,396)	(346,622)
(Payments for)/proceeds from issue of shares (net of costs)	(1,744)	-	96
Payments for shares acquired by Atlas Iron Employees	(219)	(390)	-
Dividends paid	(16,229)	(22,490)	(20,430)
Interest on borrowings	(30,650)	(27,502)	(13,480)
Net (payments of)/proceeds from borrowings	(17,698)	1,929	229,195
Net financing cash flows	**(66,540)**	(48,453)	195,381
Effect of exchange rate changes on cash and cash equivalents	**23,748**	(5,032)	26,871
Net (decrease)/increase in cash and cash equivalents	**(190,937)**	(152,680)	17,383

Net Operating Cash Flows

The following table reconciles underlying EBITDA to cash flow (used in)/from operations:

	30-Jun-15 $ 000's	30-Jun-14 $ 000's	30-Jun-13 $ 000's
Underlying EBITDA*	**(51,494)**	257,855	121,309
Working capital movements			
Inventory	23,886	(14,827)	(29,425)
Debtors and other assets	25,888	4,059	822
Creditors and other liabilities	(49,541)	33,586	21,951
Interest received	2,315	7,888	15,529
Share of joint venture and associates losses	3,587	3,049	8,862
Share-based payments	(258)	2,423	1,269
Loss/(gain) on fair value of financial assets	687	(64)	3,686
Gain on financial instruments	(7,276)	-	-
Restructuring costs	(8,578)	-	-
Suspension costs	(5,742)	-	-
Other non-cash items	(561)	(4,768)	(2,250)
Cash flow (used in)/from operations	**(67,087)**	289,201	141,753

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

An adverse economic environment and particularly a weak iron ore price significantly impacted operating cash flows during the year ended 30 June 2015, despite the Company's efforts to reduce costs.

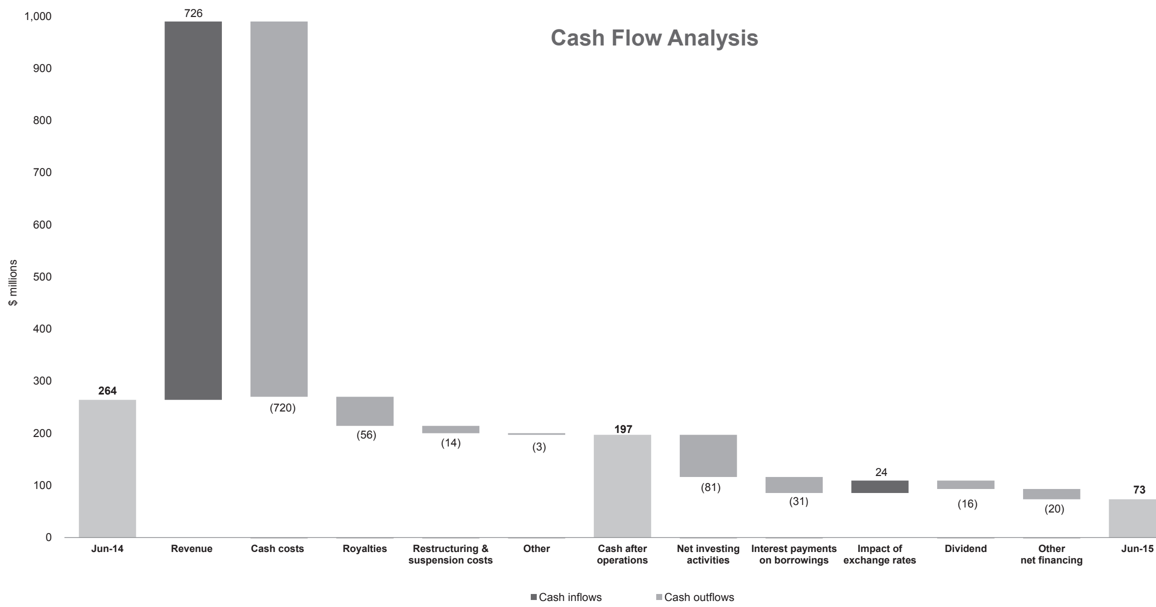
Net Investing and Financing Cash Flows

The reduction in mine development and reserve development spend reflects the conclusion of Altas' mine development phase with the completion of the Mt Webber Stage 2 development. The majority of capital spent related to the Mt Webber Stage 2 development, including increasing the crushers capacity to 6 million tonnes per annum.

During the 30 June 2015 financial year Atlas paid a cash dividend of AU$0.02 per share in relation to the 30 June 2014 financial year, repaid AU$14.3 million of the unsecured pre-export finance facility and paid interest and principal payment on the Term Loan B facility of AU$34.0 million.

Cash

At the end of the financial year, Atlas had AU$73.3 million in cash and cash equivalents. The following graph outlines the cash inflows and outflows during the year:



The reduction in cash from AU$264.2 million to AU$73.3 million during the year has primarily resulted from operating cash outflows off the back of lower iron ore pricing, capital investment primarily in the completion of Mt Webber Stage 2 development, interest and principal payments on borrowings and the payment of dividends. This has been offset by the positive impact of exchange rates on cash balances and the return of mining bonds during the year.

Working capital

The following table summarises Atlas' working capital position:

	30-Jun-15 $ 000's	30-Jun-14 $ 000's	30-Jun-13 $ 000's
Cash	73,305	264,242	416,922
Trade and other receivables	23,973	78,165	37,896
Inventories	15,604	53,425	46,150
Trade and other payables	(110,319)	(187,751)	(166,288)
Working Capital	**2,563**	208,081	334,680

Working capital has reduced by AU$205.5 million due to:

- Operating losses resulting primarily from a declining AU$ iron ore price during the year, partially offset by reduced operating costs;
- Interest and principal repayments on financing facilities;
- Payment of dividends; and
- Investment in the completion of Mt Webber Stage 2 development.

This position improved subsequent to year end on the successful completion of the Company's equity raising in July 2015.

Borrowings

Atlas holds a secured Term Loan B facility for US$268.1 million, which is fully drawn and has a term expiring on 10 December 2017. Atlas also has access to a AU$50.0 million revolving facility, which expires on 10 December 2015 and is undrawn at the year end.

Borrowings have increased from AU$288.4 million to AU$339.5 million primarily from the change in the AU$:US$ foreign exchange rate from 0.9420 at 30 June 2014 to 0.7680 at 30 June 2015.

Atlas is in compliance with the Term Loan B facility's total asset to secured debt covenant ratio of greater than 2:1 at 30 June 2015.

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 an operations and financial position:

Commodity prices

Atlas' revenues and cash flows are derived from the sale of iron ore. The majority of Atlas' sales contracts use a pricing formula linked to the spot market for iron ore. Contract pricing is often based on the spot market price in a future period. This has meant that Atlas' final received price is known one to two months after iron ore is shipped. Atlas' financial performance has historically therefore been exposed to fluctuations in the iron ore price, which has been particularly volatile in recent times.

As part of the contractor collaboration deed, Atlas will look to reduce volatility on a three month look forward basis using hedging products, fixed price sales and shorter dated pricing periods. This will reduce exposure to iron ore price risk, but may also limit Atlas' ability to leverage any potential iron ore price appreciation.

Iron ore prices may be influenced by numerous factors and events that are beyond the control of Atlas, including increased global supply, actions of other producers, decreased demand, currency exchange rates, general economic conditions, regulatory changes and other global, regional, political and economic factors. Atlas cannot provide any assurance as to the prices Atlas will achieve for its iron ore. Changes in iron ore prices may have a positive or negative effect on various aspects of Atlas' business including debt covenants, profit margins, project development and production plans and activities, together with its ability to fund those plans and activities.

Atlas sells iron ore products of differing nature and grade. The market for such products varies depending on factors outlined above. As the lump product market is smaller than the fines product market the impact of competitor activity or changes in demand have the potential to be amplified and therefore impact the price received.

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

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
62% CFR (US$/DMT)	71.39	122.59	127.38
Average price per tonne received CFR (including Atlas Value Fines) (AU$/WMT)	59.96	100.51	93.77

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

Exchange rates

Atlas is exposed to fluctuations in the US dollar as all 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.

Accordingly, Atlas' income from, and the value of its business, will be affected by fluctuations in the rates by which the US dollar is exchanged with Australian dollars.

Although steps may be undertaken to manage currency risk (e.g. via hedging strategies), adverse movements in the Australian dollar against the US dollar may have an adverse impact on Atlas. The following table shows the average USD/AUD exchange rate over the last three years:

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
USD/AUD	0.8382	0.9187	1.0239

Refer to Note 32 to the financial statements for details of the Company's foreign currency exposure and sensitivity analysis.

Operating and development risks

Atlas' operations and development activities could be affected by various unforseen events and circumstances, which may result in increased costs, lower production levels and, following on from that, lower revenue levels. Any negative outcomes flowing from these operational risks could have an adverse effect on Atlas' business, financial condition, profitability and performance.

Mining requires significant interaction with the natural environment and is impacted by inherent vulnerability including (but not limited to) weather, ground conditions, mineral enrichment, mineral endowment and ore physical characteristics, each of which might have an impact on the overall deliverability or cost of the ore delivered to customers. Atlas seeks to minimise the potential damage flowing from these risks by obtaining business interruption insurance for certain events and appropriate indemnities from suppliers and contractors.

Debt covenants

Atlas has financing arrangements in place which are subject to acceleration and enforcement rights in the event a default were to arise under them. The Term Loan B is secured, so enforcement may involve enforcement of security over the assets of Atlas and its material subsidiaries, including appointing a receiver.

The Term Loan B facility has no earnings or net asset based covenants, but has a total asset to secured debt covenant ratio requirement of greater than 2:1 which is measured semi-annually, by reference to the financial position of the Group as at the last date of each semi-annual period (being 30 June and 31 December of each year) as reflected in the lodged statutory accounts for the applicable period.

The total asset to secured debt covenant ratio will vary according to the amount of the Group's total assets, the amount of the outstanding US dollar secured debt and the exchange rate used to convert the debt to Australian dollars. The value of the Group's total assets is subject to, amongst other things, an on-going assessment of the recoverable amount of the Group's non-current asset values. Refer to Note 3 of the Consolidated Financial Statements for further details. In the event Atlas was not able to comply with the total asset to secured debt covenant ratio or its other obligations under the Term Loan B, Atlas may be required to seek amendments and/or waivers of covenant compliance or alternative funding arrangements. There is no assurance that Atlas' lenders would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditioned upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions on the expansion of debt facilities in the foreseeable future, or that its lenders would not exercise rights that would be available to them, including among other things, accelerating repayment of outstanding borrowings, or appointing a receiver.

The Group was in compliance with the total asset to secured debt covenant ratio at 30 June 2015.

In the event significant uncertainty arises in relation to Atlas' ability to fully repay, refinance or reschedule the outstanding Term Loan B balance at maturity date the Group's ability to continue as a going concern may also be uncertain. Refer to Note 1(a) of the Consolidated Financial Statements for further details.

Regulatory and title risk

Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of Atlas and the market price of Atlas shares.

Exploration and production are dependent on the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (including those related to interests in tenements), which may not be granted or may be withdrawn or be made subject to limitations at the discretion of government or regulatory authorities. Atlas also relies on authorisations pursuant to contractual regimes with various counterparties in relation to its ongoing operations and development activities. Although such authorisations may be renewed following expiry or granted (as the case may be), there can be no assurance that such authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If there is a failure to obtain or retain the appropriate authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then Atlas' ability to conduct its exploration, development or operations may be adversely affected.

Interest rates

Atlas is exposed to interest rate risk on its borrowings, which are predominately held in US dollars and have a floating interest rate. Fluctuation in interest rates will have an impact on the Company's earnings. Refer to Note 32 to the financial statements for details of our interest rate exposure and sensitivity analysis.

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 the Company does all that it can do to comply with regulations and meet the expectations of the community. Given the sensitive nature of this area, Atlas may be exposed to litigation, foreseen and unforseen compliance and rehabilitation costs despite its best efforts.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Stage 2 of the Mt Webber mine was commissioned in the December 2014 quarter increasing the production rate of the mine to 6Mtpa.

Directors' Report (continued)

In December 2014, the Group agreed to purchase the remaining 30% interest in Mt Webber mine owned by Altura Mining Limited. Settlement of the purchase took place in February 2015 for a consideration of AU$28.5 million, equivalent to the loan balance outstanding with Altura Mining Limited at the time, and a future sales royalty of 1% of the FOB sales price on Altura's tonnes where the 62% Fe price exceeds AU$95/tonne.
On 10 April 2015, the Company suspended mining operations and suspended trading in its shares on ASX in response to a significant and sustained fall in the iron ore price and commenced a whole of business review. In May 2015, Atlas executed the contractor collaboration agreement with certain key contractors which provides for a significantly lower cost base in lower iron ore price environments. Atlas implemented a revised operating strategy on the back of the contractor collaboration model which enabled production at Abydos and Wodgina mines to resume in the June 2015 quarter and allowed Mt Webber mine to re-start in early July 2015.

On 11 June 2015, the Company issued a Prospectus to undertake a capital raising to raise up to AU$180 million. Refer to the below section for the outcome of the capital raising.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Following a significant and sustained fall in the USD iron ore price the Company suspended its mining operations in April 2015 and undertook a whole of business review. In May 2015 the Company executed the contractor collaboration agreement with certain key contractors which will significantly reduce Atlas' cost base (in lower iron ore price environments) and therefore contribute to a more sustainable business.

On the back of establishing the contractor collaboration model the Company issued a prospectus on 11 June 2015 to raise up to AU$180 million of equity. Shareholder approval for the capital raising was received on 25 June 2015. Subsequent to year end the Company received applications for AU$87 million from existing shareholders, contractors and new investors. The Company issued 1,744,762,043 fully paid ordinary shares at an issue price of AU$0.05 per share on 24 July 2015. In addition, 1,774,762,043 free listed options were issued to subscribing parties, which are exercisable at AU$0.075 per share and expire on 30 June 2017.

The Company lifted suspension in the trading of its securities on 27 July 2015.

No other matters have arisen since 30 June 2015, 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 mining operations at its Wodgina, Abydos and Mt Webber mines under a revised operating strategy founded on the back of the contractor collaboration model.

The Group will continue work on exploration and evaluation activities, particularly at its existing operations, Corunna Downs and McPhee Creek, to enhance current resource and reserve positions.

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 Listed Options	Number of Unlisted Options
Balance at the beginning of the period	2.79	-	11,685,000
Options expired	2.78	-	(11,585,000)
Total number of options outstanding as at 30 June 2015	**4.20**	**-**	**100,000**
Granted subsequent to balance date	0.075	1,744,762,043	-
Total number of options outstanding at the date of this report	**0.075**	**1,744,762,043**	**100,000**

The balance is comprised of the following:

	Options (Number)	Class (Expiry date, exercise price and vesting status)
Listed	1,744,762,043	30/06/2017 $0.08 options all vested
Unlisted	100,000	31/12/2015 $4.20 options all vested
Total Options	**1,744,862,043**	

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 Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract. 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 and Nomination Committee Chairman

Dear Shareholder

On behalf of my fellow committee members and our Board, I am pleased to present our 2015 remuneration report.

The remuneration report provides insight to shareholders into the Board's decisions on how we remunerate and reward our Executive team to achieve our overall business strategy. 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 2014 remuneration report received positive shareholder support with a vote of 95% in favour.

The 2015 financial year has again seen significant volatility in the iron ore industry globally, and not dissimilar to other businesses, Atlas' shareholders have felt the impact of this instability. The Board and Remuneration and Nomination Committee are committed to delivering remuneration outcomes that are aligned to shareholder expectations.

With this in mind, the Board determined not to pay any short term incentives, long term incentives or increase salaries in the financial year. The previous Managing Director (Mr Brinsden) and the Non-Executive Directors have taken a 15% reduction in the total fixed remuneration and fees respectively. The reduction in the Managing Director's fixed remuneration remained in place when Mr Flanagan was appointed Managing Director. The Board continues to focus on cash preservation and is working towards replacing the current incentive plans with an equity plan.

The structure of our Executive's remuneration package remains a key focus of our Board to ensure alignment with the nature of Atlas' business as it optimises operations and continues to reduce costs.

I commend the remuneration report to you.

Regards

Sook Yee Tai
Chairman of the Remuneration and Nomination 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 KMP.

(i) Non-Executive Directors (NEDs)		
C. Edwardes (Hon)	Chairman – appointed 11 June 2015	Part Year
	Non-Executive Director (6 May 2015 to 11 June 2015)	Part Year
S.Y. Tai	Director	Full Year
J. Dowling	Director	Full Year
D. Flanagan	Chairman – to 11 June 2015	Part Year
D. Smith	Lead Independent Director – resigned effective 31 May 2015	Part Year
D. Hannon	Director – resigned effective 10 March 2015	Part Year
K. Sanderson AO	Director – resigned effective 19 September 2014	Part Year
G. Simpson	Director – resigned effective 2 December 2014	Part Year
(ii) Executive Director		
D. Flanagan	Managing Director – from 11 June 2015	Part Year
K. Brinsden	Executive Director – from 11 June 2015	Part Year
	Managing Director – to 11 June 2015	Part Year
M. Hancock	Executive Director Commercial – to 2 December 2014	Part Year
(iii) Other Executive KMPs		
J. Sinclair	Chief Operating Officer	Full Year
B. Lynn	Chief Financial Officer	Full Year
M. Hancock	Chief Commercial Officer – from 2 December 2014	Part Year
R. Wilson	Chief Development Officer – redundancy effective 30 November 2014	Part Year

After the reporting date and before the date of the financial report was authorised for issue Mr Lynn, Chief Financial Officer, resigned for personal reasons. The Board is working on a transition plan for Mr Lynn's departure from the business and the role will be replaced.

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 and Nomination Committee is to advise the Board on Executive remuneration. The Committee makes recommendations to the Board on Executive remuneration arrangements, including where appropriate, all awards under the Long Term Incentive (**LTI**) plan and approves the targets and level of the Short Term Incentive (**STI**) pool.

During the year, the Board conducted a Board review and as part of that review, decided to merge the Nomination Committee with the Remuneration Committee to better align the function of both Committees given the size of the company.

The Remuneration and Nomination Committee comprise the following Directors:

Remuneration and Nomination Committee Members	
C. Edwardes (Hon)	Committee Member from 1 July 2015
S.Y. Tai	Committee Chair from 1 July 2015
J. Dowling	Committee Member
D. Smith	Committee Chair to 31 May 2015
D. Flanagan	Committee Member to 1 July 2015
K. Sanderson AO	Committee Member to 19 September 2014

The Remuneration and Nomination Committee meets throughout the year as required and where Senior Management input is required the Managing Director attends by invitation. Refer to page 48 for the number of Committee meetings held during the year. There were no Remuneration and Nomination Committee meetings between the period of Mr Smith's resignation and the appointment of Ms Tai as Chairman of the Committee.

2.2 Independent Remuneration Consultants

Given the market volatility over the past 12 months, and in line with the salary freeze applied across the business the Board determined not to undertake an independent remuneration review but instead have made reference to industry remuneration trends.

REMUNERATION REPORT (AUDITED) continued

3. EXECUTIVE REMUNERATION ARRANGEMENTS

The Board is committed to driving alignment between the remuneration arrangements of its Executives and KMP with the expectations of our shareholders, its employees and the Company's sustainability.

The Company's 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;
- 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, where applicable, 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.

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.

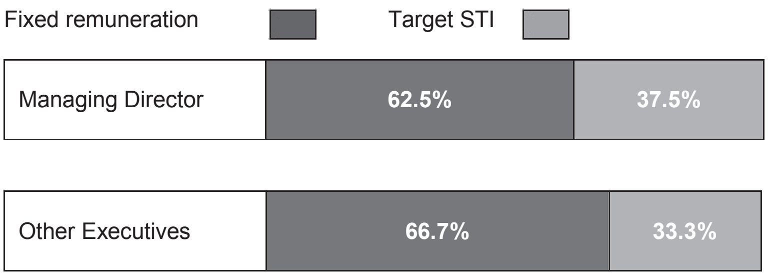
Strategic purpose We deliver mineral products that create value for our shareholders, our people, customers and the communities we operate within.
Remuneration strategy linkage to business objectives To align the interests of Executives with shareholders and to attract, motivate and retain high performing 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 (STI) **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 and equity. **Performance link:** For KMPs the short term incentive plan is structured so that 20% is linked to individual KPI achievement and 80% is linked to overall corporate objectives. Corporate measures are set to drive a focus on leading and lagging safety outcomes, cost of production, production growth and relative share price performance to a basket of peers. The STI plan for Executives includes a deferral element awarded as equity.
AT RISK LONG TERM INCENTIVE (LTI) **Purpose:** To reward Executives for business success in achieving long term objectives and for their contribution to the achievements of the organisation as a whole and their business units. **Instrument:** Paid in equity. **Performance link:** For KMPs the long term incentive plan is structured so that 100% is linked to long term performance outcomes determined by the Board.

3.1 Remuneration mix

The remuneration arrangements for Executives consist of fixed remuneration and short term incentives. Market trends, strategic business objectives and shareholder interests 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 2015 financial year.

REMUNERATION REPORT (AUDITED) continued

Targeted remuneration mix:



No LTI was issued for the 2015 financial year.

3.2 Remuneration components

3.2.1 Fixed remuneration

KMPs 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 and superannuation.

3.2.2 Short term incentive (**STI**) plan

For KMPs 20% of the STI plan is linked to individual KPI achievement (**Personal Component**) and 80% of the STI plan is linked to overall corporate objectives (**Corporate Component**).

<u>Personal Component</u>

KMPs are set personal KPIs which must be achieved before an STI is awarded either under the Personal Component or the Corporate Component.

Given the financial performance of the Company, the Board determined not to test the Personal Component of the STI plan and no awards were paid to employees under this category either.

<u>Corporate Component</u>

KMPs are only eligible for the Corporate Component of the STI plan if the business achieves a positive underlying profit before tax (**Profit Performance Gateway**). In the event that the Profit Performance Gateway hurdle is not met, the Corporate Component of the STI will not be paid.

If the Profit Performance Gateway is met, the Board reviews the annual Corporate targets for the STI Plan which aim to drive the organisation to achieve its shorter term milestones that, in turn, provide the foundations for long term growth and thus, greater shareholder wealth. At the beginning of the financial year key targets were approved for the 2015 financial year, all of which aimed at driving business growth, generating efficiencies in cost and importantly driving shareholder value. The measures, their intended objectives and the weighting applied to each measure are as follows:

Table (i)

		Corporate Targets	Weighting
Safety	1	**Total Recordable Injury Frequency Rate (TRIFR)** LTIs, restricted work cases and medical treatment injuries per million hours worked. 5% reduction on FY14 target.	10%
	2	**Compliance to Site Safety Management Plans (SMP)** a. Quality of SMP against established criteria (30% weighting) b. Compliance to SMP (70% weighting) as verified by independent external audit	5%
	3	**High Potential Incident Frequency Rate (HPIFR)** Incidents classified as having potential risk rating of >H19 (Catastrophic – Unlikely). 5% reduction on FY14 result.	10%
EBIT	4	**Absolute Underlying EBIT Outcome**	30%
	5	**Normalised Underlying EBIT Outcome**	30%
RSPP	6	**Relative Share Price Performance (RSPP)** Relative peer performance using bundle of ASX listed iron ore producers and developers – Out-perform by 10%.	15%
		Total	**100%**

REMUNERATION REPORT (AUDITED) continued

Collectively the Corporate targets must reach an overall combined threshold greater or equal to 75% before the Corporate Component of the STI is paid.

At 30 June 2015, the Profit Performance Gateway was not met and on this basis none of the Corporate Components of the STI Plan were paid. Of the six measures listed in *table (i)* the HPIFR and Normalised Underlying EBIT Outcome were met.

Consequently, for the current financial year 2015, 100% of the KMPs Corporate STI payments have been forfeited as the overall combined threshold was not met. Over the past two years, 25% (2014), and 100% (2013), respectively of KMPs Corporate STI payments have been forfeited as full targets were not met.

The Board is currently reviewing the STI plan and has not yet made a decision whether to replace it with an equity plan subject to shareholder approval where applicable.

3.2.3 Short term incentive deferred plan

Whilst STI Plans pay rewards over a short period of time i.e. twelve months, Atlas has taken into consideration feedback from shareholders and proxy advisors and has deferred up to 20% of KMPs rewards since the financial year 2014. No STI was deferred in the financial year given no STI was awarded during the year.

The Atlas STI deferral plan provides Executives with an opportunity to acquire an ownership interest in the Company, by delivering a specific portion of the Executives earned STI award in the form of Deferred Share Rights. The Plan is designed to encourage the retention of Executives and provide equity exposure in order to align Executive remuneration with the creation of long-term shareholder value. It will also provide a vehicle for Executives to meet their minimum shareholding obligations over a set period of time.

The overall STI percentage of fixed remuneration for Executives is shown in the table below:

STI target % of Total Fixed Remuneration (TFR)	D Flanagan[1]	K Brinsden[2]	M Hancock[3]	Other KMPs
Cash component	40%	40%	30%	30%
Deferred component	20%	20%	20%	20%
Total STI target of fixed remuneration	**60%**	**60%**	**50%**	**50%**

[1] Managing Director and CEO from 11 June 2015.
[2] Managing Director and CEO up to 11 June 2015 appointed Executive Director 11 June 2015.
[3] Executive Director - Commercial up to 2 December 2014 appointed Chief Commercial Officer 2 December 2014.

No such deferral happened in the current year as no STI were paid.

In the previous financial year, the Board exercised its discretion in respect of the FY 2014 STI deferred payments and suspended 50% of the Executive Directors and 25% of the remaining KMPs STI payments. These were subject to the achievement of additional KPIs being met during the financial year. The additional hurdles were not met and therefore those suspended STI payments were forfeited.

The STI deferral plan is currently being reviewed by the Board.

3.2.4 Long term incentive (LTI) plan

Historically LTI awards were made annually to Executives in order to align remuneration to the businesses longer term goals. Given the financial performance of the Company this financial year, the Board determined not to issue any LTIs in 2015.

As in previous financial years, eligibility to any LTI reward is subject to the participant's continuous service over the term of the plan at the point of vesting, subject to Board discretion.

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

	D Flanagan[1]	K Brinsden[2]	M Hancock[3]	Other KMPs
LTI target % of TFR	100%	100%	50%	50%

[1] Managing Director and CEO from 11 June 2015.
[2] Managing Director and CEO up to 11 June 2015 appointed Executive Director 11 June 2015.
[3] Executive Director - Commercial up to 2 December 2014 appointed Chief Commercial Officer 2 December 2014.

REMUNERATION REPORT (AUDITED) continued

4. EXECUTIVE REMUNERATION OUTCOMES FOR THE FINANCIAL YEAR

In the 2015 financial year, no STIs were awarded, no LTIs were awarded and no new LTIs were granted.

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

	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12	30-Jun-11
(Loss)/profit attributable to owners of the company ($'000)	(1,377,689)	17,437	(241,886)	(114,616)	168,617
Underlying (loss)/profit after tax* (unaudited) ($'000)	(240,168)	18,590	(73,193)	72,181	174,337
Change in share price	$ (0.51)	$ (0.10)	$ (1.27)	$ (1.71)	$ 1.69
Ore shipped (WMT) – Mtpa	12.2	10.9	7.4	5.6	4.6
Basic earnings per share (cents per share)	(150.1)	1.6	(27.0)	(13.0)	26.7
Dividend (cents per share)	-	2.0	3.0	3.0	3.0

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

The outcomes of the LTI awards granted which cover the period 1 July 2012 to 30 June 2015 are summarised in the table below:

Target	Instrument	Weighting	Outcome
Total shareholder return	Performance rights	25%	Not achieved
	Share appreciation rights	25%	Not achieved
Internal iron ore shipped	Performance rights	25%	85% achieved
	Share appreciation rights	25%	Not achieved

As shown in the table above, as a result of the Company's share price depreciation over the period, the Total Shareholder Return target was not met and therefore no performance or share appreciation rights were issued relating to this target. The Internal Iron Ore Shipped target was partially met with 85% of the performance rights component being met. However, once again due to the Company's share price depreciation over the period, no share appreciation rights were issued relating to this target. As a result of the Company's financial performance during the period, the Board determined on 13 August 2015 not to vest any of the LTIs granted for the period 1 July 2012 to 30 June 2015 regardless of the above target being met. Any amount previously recognised in relation to the Internal Iron Ore Shipped target being met has been reversed.

In relation to the LTIs granted for the period 1 July 2013 to 30 June 2016, whilst the PRs and SARs are measured against June 2016 targets, it is anticipated that one of the hurdles being an EPS target will not be met. Any amount previously recognised in relation to this hurdle has been reversed.

With the volatility in the iron ore market during 2015 and the flow on impact this had on the business, KMP salary reviews were considered and no salary increases eventuated. The previous Managing Director (Mr Brinsden) voluntarily took a 15% cut to his total fixed remuneration (includes base salary and superannuation) and this reduction remains in force for the current Managing Director (Mr Flanagan).

5. EXECUTIVE CONTRACTUAL ARRANGEMENTS

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

REMUNERATION REPORT (AUDITED) continued

The agreements relating to remuneration for the 2015 financial year are set out below:

	D Flanagan[1]	K Brinsden[2]	M Hancock[3]	J Sinclair[4]	B Lynn[5]
Resignation notice	6 months	6 months	3 months	3 months	3 months
Termination notice for cause	None	None	None	None	None
Termination notice without cause	12 months	12 months	6 months	6 months	6 months
Termination in case of illness, injury or incapacity	3 months	3 months	3 months	3 months	3 months
STI target % of TFR	60%	60%	50%	50%	50%
Redundancy	NES*	NES*	4 weeks for every year of service	4 weeks for every year of service	NES*

[1] Managing Director and CEO from 11 June 2015.
[2] Managing Director and CEO up to 11 June 2015 appointed Executive Director 11 June 2015.
[3] Executive Director - Commercial up to 2 December 2014 appointed Chief Commercial Officer 2 December 2014.
[4] Chief Operations Officer.
[5] Chief Financial Officer appointed 20 January 2014.
* In line with National Employment Standards

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

5.1 KMP equity ownership

As mentioned above, the Board took into consideration both shareholder and investor feedback in relation to equity ownership amongst its' Executives and introduced a STI deferral plan for KMPs in 2014. In line with market practice, a minimum shareholding obligation is not enforced. As mentioned above, the Board is reviewing the STI plan, STI deferral plan and LTI plan.

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 remuneration and seeks independent advice to ensure the NED fees remain competitive with other similarly sized mining production companies listed on the ASX.

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 NEDs in accordance with its statutory superannuation obligations, and each Director may sacrifice part of their fee for a further superannuation contribution by the Company.

NED fees are not paid to the Managing Director or Executive Directors 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. The Chairman of the Board does not receive any additional fees for his or her role on any committees.

Given the market volatility, in 2015 each Director took a 15% Directors' fee reduction. The amounts set out below is the net amount after this reduction. In addition, the Chairman's fee was reduced from AU$341,560 to AU$180,000 on 11 June 2015.

Fees (including superannuation payments) following the fee reduction are as follows:

Director Fees (including superannuation)	$
Chairman to 11 June	341,560
Chairman from 11 June	180,000
Non-Executive Directors	115,276

REMUNERATION REPORT (AUDITED) continued

	Remuneration and Nomination Committee $	Audit and Risk Committee $
Committee Chair	8,500	12,750
Committee Member	4,250	6,376

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of remuneration of each Director of the Company and KMPs are:

	Short-term employee benefits $				Post-employment benefits $		Long-term benefits $	Share-based payments $	Total $	% of remuneration performance based
	Salary & fees	STI	Short term compensated absences	Other (1)	Super-annuation	Termination benefit	Long service leave	Rights (2)		STI and Rights
Non-executive directors										
Cheryl Edwardes (Hon) - Appointed as Director effective 6 May 2015. Appointed Chairmain effective 11 June 2015										
2015	12,736	-	-	-	1,210	-	-	-	13,946	-
2014	-	-	-	-	-	-	-	-	-	-
Sook Yee Tai										
2015	115,672	-	-	-	10,989	-	-	-	126,661	-
2014	125,855	-	-	-	11,642	-	-	-	137,497	-
Jeff Dowling										
2015	131,267	-	-	-	12,470	-	-	-	143,737	-
2014	143,854	-	-	-	13,307	-	-	-	157,161	-
David Smith - Resigntation effective 31 May 2015										
2015	112,977	-	-	-	10,733	-	-	-	123,710	-
2014	135,853	-	-	-	12,566	-	-	-	148,419	-
David Hannon - Resigntation effective 10 March 2015										
2015	85,922	-	-	-	8,163	-	-	-	94,085	-
2014	133,354	-	-	-	12,335	-	-	-	145,689	-
Geoff Simpson - Resigntation effective 2 December 2014										
2015	55,540	-	-	-	5,276	-	-	-	60,816	-
2014	131,354	-	-	-	12,150	-	-	-	143,504	-
Kerry Sanderson AO - Resigntation effective 19 September 2014										
2015	29,108	-	-	-	3,077	-	-	-	32,185	-
2014	132,854	-	-	-	12,289	-	-	-	145,143	-
Executive directors										
David Flanagan - Chairman up to 11 June 2015, appointed Managaging Director 11 June 2015										
2015	350,758	-	-	-	33,322	-	-	-	384,080	-
2014	366,972	-	-	-	33,891	-	-	-	400,863	-
Ken Brinsden - Managing Director up to 11 June 2015, appointed Executive Director 11 June 2015										
2015	671,184	-	(4,011)	-	58,793	-	11,604	(62,221)	675,349	(9)%
2014	763,108	151,121	(1,909)	-	34,021	-	30,632	755,516	1,732,489	52%
Key Management Personnel										
Mark Hancock (Executive Director - Commercial up to 2 December 2014, appointed Chief Commercial Officer 2 December 2014)										
2015	467,880	-	(37,751)	-	30,000	-	28,228	(18,343)	470,014	(4)%
2014	450,000	76,500	20,160	-	46,755	-	19,888	230,666	843,969	36%
Jeremy Sinclair (Chief Operations Officer)										
2015	471,467	-	(11,906)	-	29,995	-	24,421	(18,002)	495,975	(4)%
2014	441,079	134,756	2,697	30,001	32,274	-	16,091	223,673	880,571	41%
Brian Lynn (Chief Financial Officer - Appointed 20 January 2014)										
2015	378,716	-	11,562	-	30,000	-	-	-	420,278	-
2014	176,466	41,594	14,592	-	9,747	-	-	-	242,399	17%
Anthony Walsh (Company Secretary - Resignation effective 2 July 2013)										
2015	-	-	-	-	-	-	-	-	-	-
2014	21,786	-	-	-	235	-	-	-	22,021	-
Robert Wilson (Chief Development Officer - Redundancy effective 30 November 2014)										
2015	182,521	-	(3,344)	-	31,998	282,299	-	(174,326)	319,148	(55)%
2014	412,000	105,060	3,696	-	45,155	-	803	210,559	777,273	41%
Total										
2015	**3,065,748**	**-**	**(45,450)**	**-**	**266,026**	**282,299**	**64,253**	**(272,892)**	**3,359,984**	**(8)%**
2014	**3,434,535**	**509,031**	**39,236**	**30,001**	**276,367**	**-**	**67,414**	**1,420,414**	**5,776,998**	**33%**

(1) Mr Sinclair's disclosure includes his reportable benefit for FBT. In the current year, disclosure of Director's and Officer's insurance has been prohibited under the terms of the Groups' insurance contract to disclose the premiums. In the prior year Directors and Officers insurance was disclosed.

(2) Rights comprise of performance rights and share appreciation rights.

Superannuation is paid on salaries, fees and STI.

REMUNERATION REPORT (AUDITED) continued

7.1 Short Term Incentives
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 at section 3.1. In the financial year, no STIs were awarded. As the Company did not achieve the Profit Performance Gateway, the Corporate Component of the STI for the year was forfeited. In addition, the Board determined not to test the Personal Component of the STI given the financial performance of the Company during the financial year.

7.2 Long Term Incentives
Details of Performance Rights (**PRs**) and Share Appreciation Rights (**SARs**) over ordinary shares in Atlas Iron Limited, that were issued prior to the financial year 2015, that are held by Key Management Personnel at 30 June 2015 are detailed below and do not reflect any PRs or SARs vested or forfeited after 30 June 2015 as noted in section 4:

Number of PRs	PRs held at the beginning of year	PRs Granted during 2015	Forfeited	Vested**	Other*	PRs at the end of year
	1 July 2014					30 June 2015
Executive Directors						
Ken Brinsden	1,205,028	-	(123,358)	(94,032)	-	987,638
Executives						
Mark Hancock	368,223	-	(35,928)	(27,386)	-	304,909
Robert Wilson*	336,225	-	(264,423)	(24,683)	(47,119)	-
Jeremy Sinclair	357,482	-	(33,078)	(25,214)	-	299,190
Total	**2,266,958**	**-**	**(456,787)**	**(171,315)**	**(47,119)**	**1,591,737**

* Redundancy effective 30 November 2014. PRs held as at that date.
** Relates to the LTI awards issued which cover the period 1 July 2011 to 30 June 2014.

Number of SARs	SARs held at the beginning of year	SARs Granted during 2015	Forfeited	Vested	Other*	SARs at the end of year
	1 July 2014					30 June 2015
Executive Directors						
Ken Brinsden	2,724,046	-	(421,052)	-	-	2,302,994
Executives						
Mark Hancock	833,934	-	(122,630)	-	-	711,304
Robert Wilson*	761,764	-	(657,038)	-	(104,726)	-
Jeremy Sinclair	810,863	-	(112,902)	-	-	697,961
Total	**5,130,607**	**-**	**(1,313,622)**	**-**	**(104,726)**	**3,712,259**

* Redundancy effective 30 November 2014. SARs held as at that date.

The table below provides further details of amounts vested under the LTI for the period FY 2011 to FY 2014:

	Shares issued on vesting/exercise of PRs # of shares	Market price at vesting date $	Value of PRs vested $
Executive Directors			
Ken Brinsden	94,032	0.63	59,240
Executives			
Mark Hancock	27,386	0.63	17,253
Robert Wilson*	24,683	0.63	15,550
Jeremy Sinclair	25,214	0.63	15,885
Total	**171,315**		**107,928**

* Redundancy effective 30 November 2014

The LTI rights were provided at no cost to the recipients. Valuation assumptions are disclosed in Note 4 of the financial statements.

Subject to LTI targets being met, the rights granted to Executive Directors are only convertible into ordinary shares if, and only if, shareholder approval is obtained. Shareholder approval was obtained in October 2014 to issue LTIs to Mr Brinsden and Mr Hancock for the financial year, however as mentioned above, given the financial performance of the Company, the Board determined not to issue any LTIs during the financial year.

REMUNERATION REPORT (AUDITED) continued

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 Employee Share Option Plan (**ESOP**) option and rights is personal to the holder and is not transferable, 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 ESOP rules state that an employee must not transfer, assign, dispose of or 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 2015 financial year.

Analysis of movement in options
There was no movement in the value of options over ordinary shares in Atlas Iron Limited during the year.

7.3 Option holdings of key management personnel

	Balance at beginning of year 1 July 2014	Options Granted	Options Exercised	Options Lapsed****	Other	Held at 30 June 2015
Directors						
Cheryl Edwardes (Hon)*	-	-	-	-	-	-
David Flanagan	2,500,000	-	-	(2,500,000)	-	-
David Hannon**	500,000	-	-	-	(500,000)	-
David Smith**	1,000,000	-	-	-	(1,000,000)	-
Sook Yee Tai	500,000	-	-	(500,000)	-	-
Jeff Dowling	-	-	-	-	-	-
Kerry Sanderson AO**	-	-	-	-	-	-
Geoff Simpson**	-	-	-	-	-	-
Ken Brinsden	750,000	-	-	(750,000)	-	-
Executives						
Mark Hancock	750,000	-	-	(750,000)	-	-
Robert Wilson***	-	-	-	-	-	-
Jeremy Sinclair	350,000	-	-	(350,000)	-	-
Brian Lynn	-	-	-	-	-	-
Total	**6,350,000**	**-**	**-**	**(4,850,000)**	**(1,500,000)**	-

* Appointed 6 May 2015 as a Director. Appointed 11 June 2015 as Chairman.
** Resigned during the current financial year.
*** Redundancy effective 30 November 2014.
**** Relates to options granted between 1 July 2009 and 30 June 2011.

REMUNERATION REPORT (AUDITED) continued

7.4 Shareholdings of key management personnel

	Balance at beginning of year 1 July 2014	Shares Purchased	Shares sold	Shares acquired on vesting of LTI	Shares held at appointment/ departure	Held at 30 June 2015
Directors						
Cheryl Edwardes (Hon)*	-	-	-	-	8,100	8,100
David Flanagan	2,840,000	-	-	-	-	2,840,000
David Hannon**	804,968	-	-	-	(804,968)	-
David Smith**	-	-	-	-	-	-
Sook Yee Tai	-	-	-	-	-	-
Jeff Dowling	125,000	-	-	-	-	125,000
Kerry Sanderson AO**	52,447	-	-	-	(52,447)	-
Geoff Simpson**	-	-	-	-	-	-
Ken Brinsden	564,500	51,213	-	94,032	-	709,745
Executives						
Mark Hancock	508,938	18,410	-	27,386	-	554,734
Robert Wilson***	1,000	-	-	24,683	(25,683)	-
Jeremy Sinclair	-	-	-	25,214	-	25,214
Brian Lynn	25,000	-	-	-	-	25,000
Total	**4,921,853**	**69,623**	**-**	**171,315**	**(874,998)**	**4,287,793**

* Appointed 6 May 2015 as a Director. Appointed 11 June 2015 as Chairman.
** Resigned during the current financial year.
*** Redundancy effective 30 November 2014.

Remuneration report ends here.

Directors' Report (continued)

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nomination Committee		Nomination Committee		Corporate Governance Committee	
	A	B	A	B	A	B	A	B	A	B
Cheryl Edwardes (Hon) (appointed 6 May 2015)	9	9								
David Flanagan	35	35			3	3	1	1	1	1
Ken Brinsden	35	35								
Jeff Dowling	35	35	3	3	3	3				
Sook Yee Tai	35	33	1	1			1	1	1	1
Kerry Sanderson AO (resigned 19 September 2014)	3	3			1	1	1	1	1	1
Geoff Simpson (resigned 2 December 2014)	5	4	1	1						
Mark Hancock (resigned 2 December 2014)	5	5								
David Hannon (resigned 10 March 2015)	14	14	3	3			1	1		
David Smith (resigned 31 May 2015)	30	29			3	3	1	1		

A - Number of meetings held during the time the Director held office during the year.
B - Number of meetings attended.

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 33 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 100 and forms part of the Directors' Report for the financial year ended 30 June 2015.

NON-AUDIT SERVICES
Non-audit services provided by the Group's auditor, KPMG, and associated entities, during the year ended 30 June 2015 are disclosed in Note 29 to the financial statements.

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

David Flanagan

Managing Director

Perth, 13 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2015

	Notes	2015 $'000	2014 $'000
Revenue		718,474	1,097,617
Operating costs	2	(889,739)	(1,007,358)
Gross (loss)/profit		**(171,265)**	90,259
Other income		2,737	4,652
Exploration and evaluation expense		(5,189)	(9,042)
Impairment loss	3	(980,371)	(18,822)
Share of loss of equity accounted investees	14	(3,587)	(3,049)
(Loss)/gain on listed investments		(687)	64
Gain on financial instruments		11,575	2,580
Depreciation and amortisation		(4,947)	(4,960)
Loss on sale of property, plant and equipment		(1,071)	(173)
Administrative expenses	5	(24,888)	(38,763)
Other expenses	6	(62,249)	(8,413)
Results from operating activities		**(1,239,942)**	14,333
Finance income	7	4,916	10,382
Finance expense	7	(36,458)	(35,205)
(Loss)/gain on foreign exchange	7	(39,339)	37
Net finance expense		**(70,881)**	(24,786)
Loss before income tax		**(1,310,823)**	(10,453)
Tax (expense)/benefit	8	(67,003)	24,705
(LOSS)/PROFIT FOR THE YEAR		**(1,377,826)**	14,252
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		(79)	(1,979)
Share of associates' movements in foreign currency translation reserve		329	112
Other comprehensive income/(loss) for the year		**250**	(1,867)
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		**(1,377,576)**	12,385
(Loss)/profit attributable to:			
Owners of the parent		(1,377,689)	17,437
Non-controlling interest		(137)	(3,185)
		(1,377,826)	14,252
Total comprehensive (loss)/profit attributable to:			
Owners of the parent		(1,377,450)	16,573
Non-controlling interest		(126)	(4,188)
		(1,377,576)	12,385
(Loss)/profit per share			
Basic (loss)/profit per share (cents per share)	28	(150.08)	1.56
Diluted (loss)/profit per share (cents per share)	28	(150.08)	1.54

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AT 30 JUNE 2015

	Notes	2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	24(b)	73,305	264,242
Trade and other receivables	10	23,973	78,165
Prepayments	11	15,239	20,110
Financial assets classified as held for trading		604	3,374
Inventories	12	15,604	53,425
Disposal group and assets held for sale	13	-	29,896
TOTAL CURRENT ASSETS		**128,725**	449,212
NON-CURRENT ASSETS			
Other receivables	10	12,008	41,548
Prepayments	11	6,875	17,395
Investment in equity accounted investees	14	414	30,622
Property, plant and equipment	15	129,076	143,843
Intangibles	16	1,586	135,347
Mine development costs	17	338,222	515,157
Evaluation expenditure - reserve development	18	17,140	49,615
Mining tenements capitalised	19	141,414	716,874
Deferred tax asset	8	-	67,003
TOTAL NON-CURRENT ASSETS		**646,735**	1,717,404
TOTAL ASSETS		**775,460**	2,166,616
CURRENT LIABILITIES			
Trade and other payables	20	110,319	187,751
Interest bearing loans and borrowings	21	3,581	17,251
Employee benefits		1,769	4,434
Provisions	22	7,214	3,928
Disposal group liabilities held for sale	13	-	7,534
TOTAL CURRENT LIABILITIES		**122,883**	220,898
NON-CURRENT LIABILITIES			
Trade and other payables	20	4,000	-
Interest bearing loans and borrowings	21	335,939	271,105
Employee benefits		569	663
Provisions	22	91,409	66,790
TOTAL NON-CURRENT LIABILITIES		**431,917**	338,558
TOTAL LIABILITIES		**554,800**	559,456
NET ASSETS		**220,660**	1,607,160
EQUITY			
Share capital	23(a)	1,991,630	1,989,359
Reserves	23(d)	29,682	29,912
Disposal group reserves held for sale	13	-	(1,164)
Accumulated losses		(1,810,738)	(414,735)
Other equity	23(f)	10,086	-
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**220,660**	1,603,372
Disposal group non-controlling interest held for sale	13	-	3,788
TOTAL EQUITY		**220,660**	1,607,160

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 2015

	Share capital	Share-based payments reserve	Disposal group and asset held for sale	Associates' reserve	Accumulated (losses)	Other Equity	Total	Disposal group non-controlling interest held for sale	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2014	**1,989,359**	**30,604**	**(1,164)**	**(692)**	**(414,735)**	**-**	**1,603,372**	**3,788**	**1,607,160**
Total comprehensive loss for the year									
Loss for the year	-	-	-	-	(1,377,689)	-	(1,377,689)	(137)	(1,377,826)
Total other comprehensive income/(loss)	-	-	(90)	329	-	-	239	11	250
Total comprehensive loss for the year, net of tax	-	-	(90)	329	(1,377,689)	**-**	**(1,377,450)**	(126)	**(1,377,576)**
Contributions by and distributions to owners of the Group									
Issue of ordinary shares from dividend reinvestment plan	2,086	-	-	-	-	-	2,086	-	2,086
Treasury shares	56	-	-	-	-	-	56	-	56
Share-based payment transactions	129	(559)	-	-	-	-	(430)	-	(430)
Payment of dividends	-	-	-	-	(18,314)	-	(18,314)	-	(18,314)
Shares to be issued	-	-	-	-	-	10,086	10,086	-	10,086
Deconsolidation of disposal group held for sale	-	-	1,254	-	-	-	1,254	(3,662)	(2,408)
Total transactions with owners of the Company	2,271	(559)	1,254	-	(18,314)	10,086	**(5,262)**	(3,662)	**(8,924)**
BALANCE AT 30 JUNE 2015	**1,991,630**	**30,045**	**-**	**(363)**	**(1,810,738)**	**10,086**	**220,660**	**-**	**220,660**

YEAR ENDED 30 JUNE 2014

	Share capital	Share-based payments reserve	Foreign currency translation reserve	Disposal group reserves held for sale	Associates' reserve	Accumulated (losses)	Total	Disposal group non-controlling interest held for sale	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2013	1,984,654	30,007	(188)	-	(804)	(408,320)	1,605,349	6,803	1,612,152
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	17,437	17,437	(3,185)	14,252
Total other comprehensive (loss)/income	-	-	(976)	-	112	-	(864)	(1,003)	(1,867)
Foreign currency translation reserve held for sale	-	-	1,164	(1,164)	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	188	(1,164)	112	17,437	16,573	(4,188)	12,385
Contributions by and distributions to owners of the Group									
Issue of ordinary shares from dividend reinvestment plan	4,917	-	-	-	-	-	4,917	-	4,917
Share-based payment transactions	-	2,045	-	-	-	-	2,045	-	2,045
Payment of dividends	-	-	-	-	-	(27,291)	(27,291)	-	(27,291)
Treasury shares	(212)	-	-	-	-	-	(212)	-	(212)
Transfers from share-based payments	-	(1,448)	-	-	-	1,448	-	-	-
Loan forgiveness on acquisition of non-controlling interest	-	-	-	-	-	1,991	1,991	1,173	3,164
Total transactions with owners of the Company	4,705	597	-	-	-	(23,852)	(18,550)	1,173	(17,377)
BALANCE AT 30 JUNE 2014	1,989,359	30,604	-	(1,164)	(692)	(414,735)	1,603,372	3,788	1,607,160

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 2015

	Notes	2015 $'000	2014 $'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
Cash receipts from customers		725,882	1,096,618
Payments to suppliers and employees		(790,095)	(806,263)
Interest received		2,315	7,888
Payments for expenditure on exploration and evaluation activities		(5,189)	(9,042)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	24(a)	**(67,087)**	289,201
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(15,234)	(18,969)
Payments for mine development		(82,007)	(300,906)
Payments for intangible assets		(411)	(1,402)
Payment for reserve development costs		(4,774)	(32,041)
Payments for interests in equity accounted investees		(250)	(1,500)
Loan to joint venture		(1,311)	(1,741)
Loan to joint operation partner		(6,636)	(12,606)
Net proceeds received from sale of tenements		528	437
Payments for the acquisition of tenements		-	(119)
Net proceeds from financial assets		1,020	1,565
Proceeds from release of bank guarantees		21,248	2,590
Proceeds from/(payments to) other entities including associated entities		1,788	(4,793)
Stamp duty paid in relation to acquisition of tenements		(1,694)	(18,911)
Net proceeds from financial instruments		6,675	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(81,058)**	(388,396)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Share issue costs		(1,744)	-
Repayment of Term Loan B		(3,394)	(2,983)
Net (repayments)/proceeds from pre-export finance		(14,304)	4,912
Interest payments on borrowing facilities		(30,650)	(27,502)
Dividends paid		(16,229)	(22,490)
Payments for shares acquired by Atlas Iron Employee Share Trust		(219)	(390)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(66,540)**	(48,453)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(214,685)**	(147,648)
Cash and cash equivalents at 1 July		264,242	416,922
Transfer cash to disposal group held for sale		-	(331)
Effect of exchange rate changes on cash and cash equivalents		23,748	(4,701)
CLOSING CASH AND CASH EQUIVALENTS	24(b)	**73,305**	264,242

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

Notes to the Consolidated Financial Statements

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 2015 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 exploration, development and operation of mines 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 13 August 2015.

(a) Basis of preparation

Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements issued by 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.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

As at 30 June 2015, the Company has net assets of AU$220.7 million which have decreased since 30 June 2014 mainly as a result of operational losses and a non-cash impairment charge of AU$980.4 million, both of which were largely due to a declining iron ore price. The Company has positive net current assets as at 30 June 2015 of AU$5.8 million, which, if adjusted for the capital raising completed subsequent to year end increases to AU$74.1 million (after costs).

As at 30 June 2015, the Company has drawn down its Term Loan B debt facility to US$268.1 million (equivalent to AU$349.1 million, based on the exchange rate of 0.7680), which matures on 10 December 2017 and remains in good standing. The Company's net debt position (cash and cash equivalents less drawn debt facilities) is AU$275.8 million as at 30 June 2015 which is summarised as follows:

	2015	2014
	$'000	$'000
Cash	73,305	264,242
Debt	(349,121)	(301,885)
Net debt	**(275,816)**	(37,643)

The increase of AU$238.2 million in net debt during the year is due to a weakening in the AUD exchange rate (as the debt is repayable in US$) and a reduction in cash resulting primarily from:

- operating cash out flows mainly due to a declining AUD iron ore price during the year, partially offset by reduced operating costs;
- payment of interest and principal on financing facilities;
- payment of dividends; and
- investment in the completion of the Mt Webber Stage 2 development.

The Company prepares rolling 12 month cash flow forecasts. The 12 month cash flow forecast to August 2016 (the forecast period), which includes the capital raising completed subsequent to year end, has a positive working capital balance throughout that period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The material assumptions adopted by the directors in the cash flow forecasts include:

- Forecast iron ore price for the forecast period of between AU$67 and AU$77 per tonne (benchmark IODEX 62% Fe CFR China). The USD 62% Fe CFR China price and the AU$:US$ foreign exchange rate, have been independently sourced. As at 12 August 2015, the IODEX 62% Fe CFR China price was AU$74 per tonne.
- Estimated sale of 16.8 million tonnes for the 14 month period ended 31 August 2016.
- Forecast cost savings based on the contractor collaboration Deed for the Abydos and Wodgina mines.
- A restart at the Mt Webber mine in the September 2015 quarter (which has been achieved) targeting similar costs to those under the contractor collaboration Deed.
- Implementation of the contractor collaboration Deed for the Abydos and Wodgina mines, which when combined with the Mt Webber mine, is expected to deliver a breakeven price of approximately US$50 per tonne (benchmark IODEX 62% Fe price CFR China), assuming an AUD:USD foreign exchange rate of 0.7850, on a full-cash cost basis (which includes interest and sustaining capital), based on a production rate of 14-15 million tonnes per annum, which is expected to be achieved during the December 2015 quarter.
- A significant contribution from the sale of lump product from both the Abydos and Mt Webber mines generating an expected premium to the standard fines product of Atlas.
- Royalty relief following Atlas signing a Financial Assistance Agreement with the Western Australian Government, expected to provide a total cash flow benefit of approximately AU$23.0 million over the relief period. AU$12.6 million in respect of the December 2014 and March 2015 quarters was received on 3 August 2015. Atlas' Royalty relief will be required to be repaid, without interest or premium, in seven equal quarterly instalments commencing 31 March 2016.

The cash flow forecast to August 2016 is highly dependent upon the achievement of USD iron ore price and AUD:USD exchange rate forecasts and the achievement of forecast operating cost outcomes.

A reduction to the Atlas adopted forecast price of US$10 (AU$13) per tonne (benchmark IODEX 62% Fe CFR China), would result in a net working capital position of approximately AU$30.0 million by August 2016, in the absence of further cost savings, sale of assets, additional equity or debt funding and assuming no change in underlying US$:AU$ exchange rate.

Should the key assumptions of the cash flow forecast not be achieved, the Company may be required to source additional funds through debt or equity markets. In this regard the Directors are reviewing other funding options, such as unsecured debt, convertible notes and offtake agreements with financing elements.

The Company was in compliance with its Term Loan B debt facility as at 30 June 2015.

The ability of the Company to repay or reschedule its Term Loan B debt obligations in December 2017 is contingent on USD iron ore pricing and AUD:USD exchange rate outcomes, achievement of forecast cost outcomes and/or the ability of the Company to source additional funds through debt and equity markets. Adopting the assumptions set out above, Atlas estimates there will be a shortfall between the amount owing at the maturity date of the Term Loan B facility (December 2017) and the forecast cash balance at that date. However, based on current forecasts and assumptions, the Directors believe that the shortfall can be refinanced or rescheduled prior to the maturity date under the Term Loan B facility.

The ability to repay the Term Loan B facility at maturity will improve in the event of capital raisings or alternative debt funding, but will ultimately depend on prevailing market conditions, particularly AUD iron ore prices between now and the maturity date.

The Directors believe that the cash flow forecasts are reasonable with respect to all material factors. On this basis the going concern basis of preparation has been adopted. Depending on the outcome of the future funding alternatives, were the recent volatility experienced in the AU$ iron ore price to continue and result in a significant and sustained decline from forecast prices to December 2017, there would likely be significant uncertainty in the Company's ability to refinance or reschedule the Term Loan B facility at its maturity and therefore its ability to continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Atlas Iron Limited and its subsidiaries together with the Group's share of joint arrangements and associates accounted for as described below.

(i) Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements all intergroup balances and transactions, income, expenses, unrealised gains/losses and profit or loss, resulting from intergroup transactions, have been eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Groups' interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Investment in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group has significant voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Interests in joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(iii) Investment in joint operation

A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

(c) Changes 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 2014.

The Group applied for the first time AASB 2013-3 *Recoverable amount disclosures for non-financial assets*, AASB 1031 *Materiality* and AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle*. Several other amendments apply for the first time in 2015 however they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of certain new standards and amendments are described below:

(i) *AASB 2013-3 Recoverable amount disclosures for non-financial assets*: adopted on 1 July 2014.
AASB 2013-3 Recoverable amount disclosures for non-financial assets make amendments to the disclosures required by AASB 136 *Impairment of assets* which:

- Remove the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment. This disclosure was introduced with AASB 13 *Fair Value Measurement;*
- Require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed;
- Requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

As a result of adopting AASB 2013-3 *Recoverable amount disclosures for non-financial assets*, the Group has amended its impairment disclosures in Note 3 to reflect the updated disclosure requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) AASB 1031 *Materiality*: adopted on 1 July 2014.

The revised AASB 1031 *Materiality* is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 *Materiality* will be withdrawn when references to AASB 1031 *Materiality* in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031 *Materiality*.

Application of AASB 1031 *Materiality* has not impacted the financial statements of the Group.

(iii) AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial instruments* contains three main parts which make amendments to a number of standards and interpretations.

- Part A of the amendment makes consequential amendments arising from the issuance of AASB CF 2013-1, which was adopted in the previous reporting period.
- Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also minor editorial amendments to various other standards adopted on 1 July 2014.
- Part C makes amendments to a number of Australian Accounting Standards, incorporating Chapter 6 Hedge Accounting into AASB 9 *Financial Instruments* applicable to annual reporting periods beginning on or after 1 July 2015.

Parts A and B of this amendment have been adopted by Atlas and have not materially impacted the financial statements of the Group. Atlas will continue to prepare financial statements and apply materiality in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 101 *Presentation of Financial Statements*.

Part C of this amendment relates to incorporation of hedge accounting into AASB 9. Atlas has not elected to early adopt this section. Adoption of this part of the amendment is not expected to have a significant impact on the Group as there is currently no hedge accounting policy in place.

(iv) AASB 2014-1 *Annual improvements to IFRS's 2010-2012* Cycle: adopted on 1 July 2014.

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements process. The following items are addressed by this standard:

- AASB 2 *Share-Based Payments* - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 *Business Combinations* - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*
- AASB 8 *Operating Segments* - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.
- AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangibles* - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 *Related Party Disclosures* - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 *Related Party Disclosures* for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Adoption of these standards has not had a significant impact on the Group's financial statements. The change in definition under AASB 2 *Share-Based Payments* to 'performance condition' does not impact the valuation or share-based payment expense as the conditions included within these plans meet the definition of a 'performance condition'. Application of other amendments of AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle* has not materially impacted the financial statements of the Group, however, additional disclosures may be required in future periods, if applicable.

(d) 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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (Revised 2012), 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. Refer to Note 1(j) for the accounting policy on production stripping.

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 (2015: 2.55% (2014: 3.54%)). 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 substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include:

- 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.

Impairment of assets
The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) at 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. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. 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. Value in use is determined as the present value of estimated future cash flows arising from the continued use of the asset. 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 16.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Determination of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value of an asset or liability, the Group uses market observable data as far as possible.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Refer to Note 32.

(f) 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.

Where the Group acquires interests in joint operations in which the activity constitutes a business, the acquisition method of accounting is adopted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

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

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 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 between 5% and 10% 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 profit or loss and other comprehensive income

(h) 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 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Exploration and evaluation costs / mining tenements capitalised

Exploration and evaluation costs on an area of interest are written off in the year they are incurred if there is no expectation of commercial viability , 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 commercial viability has been established, is capitalised.

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated 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.

Exploration and evaluation assets are transferred to development costs once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively sale of the respective area of interest.

Impairment testing of exploration and evaluation assets
Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy Note 1(h).

(j) Development costs

Mine and port development
Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the Board of directors to proceed with development of the project.

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.

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 when commercial production commences.

Development costs are carried forward in respect of areas of interest in the development phase until commercial production commences. When commercial production commences, carried forward development costs are 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.

Notes to the Consolidated Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development assets are assessed for impairment if an impairment trigger is identified. For the purposes of impairment testing, development assets are allocated to CGUs to which the development activity relates.

Production stripping
Removal of waste material normally continues after commercial production commences and throughout the life of a mine. This activity is referred to as production stripping. The costs of production stripping are capitalised.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, production 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. The amount of stripping costs deferred is based on the ratio of waste tonnes mined and ore tonnes mined. Amortisation of the production stripping asset takes place on a unit of production based on the identified component of the ore body which is mined. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g. tonnes) of waste to be stripped and ore to be mined in each of these components. The Group assesses future production stripping costs required to bring existing reserves into production and includes an estimate of these costs in the base when calculating amortisation expense.

(k) Care and maintenance
When a mine moves into the care and maintenance stage the costs of maintaining the mine are expensed in the period as incurred unless there are future economic benefits for other operating mines.

(l) 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 profit or loss on a straight line basis over the lease term.

(m) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

A liability is recognised for the amount expected to be paid under short-term 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 corporate 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'). Share-based compensation benefits are provided to employees via the Long-Term Incentive Plan (subject to shareholder approval for Executive Directors), the Employee Share Plan and the Salary Sacrifice and Matched Share Plan. Information relating to these plans is set out in Note 4.

During the previous financial year, key management personnel and selected direct reports were offered performance rights and share appreciation rights under the Long-Term Incentive Plan. The fair value of the awards granted is measured using a 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 transaction 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.

The Employee Share Plan is administered by the Atlas Iron Employee Share Trust, which is consolidated in accordance with the principals in Note 1(b).

Under the Employee Share Plan, shares issued by the Atlas Iron Employee Share Trust vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee expense with a corresponding increase in equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Salary Sacrifice and Matched Share Plan allow participants to salary sacrifice certain amounts per annum from their pre-tax salary. Atlas will match the salary sacrifice shares on a one for one basis, with shares purchased by the Atlas Iron Employee Share Trust.

The matched shares do not vest until the participants have completed a specified service condition, management deem that services are to be rendered over a three year period. The participants become unconditionally entitled to the shares at the end of the three year period. The employees have no beneficial entitlement to the matched shares until they are awarded.

Service vesting conditions (which are non-market conditions) and non-market performance conditions are not incorporated into the grant date fair value calculation of the Matched Share Plan, instead they are taken into consideration when estimating the number of awards that will vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised. The cumulative expense recognised for the matched share transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest.

Matched shares are subject to good and bad leaver provisions. Matched shares will be forfeited in regards to bad leavers. Bad leavers include; participants that cease to be employed by the Group via voluntary resignation, dismissal for cause, fraud, criminal offence or purported dealing. Good leavers include participants that cease to be employed by the Group by reason of redundancy, death, incapacitation or any other reason determined by the Board. The expense recognised for good leavers is accelerated as the shares vest immediately and are no longer subject to the 3 year service condition or trading restrictions.

(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 the 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 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 30 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.

Repurchase and re-issue of ordinary shares (treasury shares)

Own equity instruments that are re-acquired (treasury shares) are recognised at cost including directly attributable incremental costs (net of income taxes) and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of Atlas’ own equity instruments. Any difference between the consideration received and the carrying amount, if reissued, is recognised in the share-based payments reserve. Shares held by the Atlas Iron Employee Share Trust are disclosed as treasury shares and are deducted from contributed equity.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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) Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is considered highly probable that they will be recovered principally through sale rather than continued use. Such assets, or disposal groups, are measured at the lower of their carrying value and fair value less costs to sell. Any impairment loss on disposal groups is allocated first to goodwill and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefits. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Whilst classified as held-for-sale, property, plant and equipment, intangibles and mine development are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(w) 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.

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

(y) 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.

(z) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(aa) 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.

(bb) 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.

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.

Derivative financial assets

The Group has the following financial assets: financial assets at fair value through profit or loss.

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 and embedded derivatives.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured with changes in fair value recognised in profit or loss. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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.

(cc) 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 9 *Financial Instruments*: applicable to annual reporting periods beginning on or after 1 July 2018.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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*.

An assessment of the Group's 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.

(ii) AASB15 *Revenue from Contracts with Customers.*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaced IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014. Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted however the IASB and the AASB have proposed a one year deferral to IFRS 15/AASB 15, which if approved, would move the effective date to annual reporting periods commencing on or after 1 July 2018.

The core principle of IFRS 15 *Revenue from Contracts with Customers* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

(i) Identify the contract(s) with a customer
(ii) Identify the performance obligations in the contract
(iii) Determine the transaction price
(iv) Allocate the transaction price to the performance obligations in the contract
(v) Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has completed an assessment of revenue recognition on adoption of this standard and its impact is expected to be limited.

(iii) AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations:* applicable to annual reporting periods beginning on or after 1 July 2016.

AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 *Joint Arrangements*; and;
- The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

Adoption of this amendment will not result in a material impact on the Group's financial statements as the amendment is consistent with the Group's current accounting policy.

(iv) AASB 2014-*4 Clarification of Acceptable Methods of Depreciation and Amortisation*: applicable to annual reporting periods beginning on or after 1 July 2016.

AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Currently the Group does not have a revenue-based policy to calculate the depreciation of an asset and therefore adoption of this standard is expected not to impact the financial statements of the Group.

(dd) Comparative amounts
Certain comparative disclosures have been reclassified to conform to the current year's presentation.

2. OPERATING COSTS

	2015 $'000	2014 $'000
Mining and processing	(224,590)	(262,341)
Haulage	(203,361)	(173,762)
Port *	(128,859)	(120,286)
Shipping	(122,411)	(139,058)
Royalties	(55,842)	(92,011)
Depreciation and amortisation	(112,846)	(202,933)
Inventory writedown	(29,769)	(10,017)
Other operating costs	(12,061)	(6,950)
	(889,739)	(1,007,358)

* Port costs include the amortisation of contributions made to the Port Hedland Port Authority. Refer to Note 11.

3. IMPAIRMENT LOSS

The Group assesses whether there are indicators that assets, or groups of assets, may be impaired at each reporting date.

The following impairment indicators were identified during the year ended 30 June 2015:

- Significant reduction in the US dollar iron ore price, partially offset by the weakening Australian dollar exchange rate during the year, which impacts the cash flows capable of being generated by the Company's mining assets; and
- The widening gap between the Group's net asset book value and its market capitalisation until the date on which Atlas shares were suspended on 7 April 2015.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Atlas have made an assessment of the recoverable amount of its assets as at 31 December 2014 and 30 June 2015[1].

Total impairment losses recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015 were as follows:

	2015[1] $'000	2014 $'000
Disposal group and assets held for sale (Note 13)	(13,189)	(7,633)
Leasehold improvements	(2,278)	(1,011)
Investment in equity accounted investee	(28,274)	(7,000)
Other receivables (port assets)	(23,701)	-
Mine and reserve development assets	(202,266)	-
Property, plant and equipment	(7,003)	-
Mining tenements capitalised	(574,253)	(3,178)
Intangibles (port assets)	(68,630)	-
Goodwill	(60,777)	-
Impairment loss	**(980,371)**	(18,822)

[1] The assessment in the second half of the year was performed at 30 April 2015 when determining the pro forma statement of financial position included in the Company's Prospectus dated 11 June 2015. As at 30 June 2015, there have been no significant changes to the underlying assumptions and forecasts included within this assessment.

3. IMPAIRMENT LOSS (CONTINUED)

Following is a breakdown of the impairment loss by asset grouping:

	2015[1] **$'000**	2014 $'000
Horizon 1 mining properties	(176,951)	-
Horizon 2 projects	(606,571)	(3,178)
Goodwill and port assets	(179,482)	-
Disposal group and assets held for sale (Note 13)	(13,189)	(7,633)
Other	(4,178)	(8,011)
Impairment loss	**(980,371)**	(18,822)

[1] The assessment in the second half of the year was performed at 30 April 2015 when determining the pro forma statement of financial position included in the Company's Prospectus dated 11 June 2015. As at 30 June 2015, there have been no significant changes to the underlying assumptions and forecasts included within this assessment.

Horizon 1 mining properties

Atlas' Horizon 1 mining properties relate to the cash generating unit representing assets and liabilities contained within its current operating mines (Abydos, Wodgina and Mt Webber) and does not have goodwill allocated to it. During the year ended 30 June 2015, Atlas recognised an impairment loss for its Horizon 1 mining properties of $176,951,000 (property, plant and equipment of $7,003,000 and mine and reserve development assets of $169,948,000). The impairment was recognised in the first half of the 2015 financial year.

The recoverable amount of the Horizon 1 mining properties was determined using life-of-mine value in use calculations based on cash flow projections from life of mine financial forecasts and mine plans based on current reserves.

Key assumptions contained in cash flow projections are based on external sources of information where available, or reflect past experience, and include:

- forecast USD iron ore price and foreign exchange rates (based on the most recent external economic forecasters);
- published reserve statements;
- operating and capital cost estimates utilising mine plans;
- inflation applied at 2.5% per annum beyond the period covered by Atlas' most recent forecasts; and
- a nominal post-tax discount rate applied to cash flow projections of 11% (June 2014: 11%).

A key component of the cash flow projections is the revenue assumptions utilised. A summary of the externally sourced forecast USD iron ore price and foreign exchange rate assumption ranges (real, based on external economic forecasters) utilised in determining the recoverable amount of its Horizon 1 mining properties are detailed below:

	30 June 2015*		31 December 2014	
Assumption	**CFR 62% Fe $USD/DMT**	**AUD/USD**	CFR 62% Fe $USD/DMT	AUD/USD
Not later than one year	51 - 59	0.79 – 0.80	62 - 70	0.77 – 0.82
Later than one year and not later than five years	57 - 77	0.80 – 0.86	77 - 89	0.80 – 0.85
More than five years	75 - 81	0.81 – 0.82	89 - 98	0.81 – 0.82

* The forecast pricing assumptions do not include the premium that Atlas forecasts to receive on its lump product.

Horizon 2 projects

Atlas' Horizon 2 projects relate predominantly to the McPhee Creek and South East Pilbara projects. During the year ended 30 June 2015, Atlas recognised an impairment loss for its Horizon 2 projects of $606,571,000 (mining tenements capitalised of $574,286,000 and mine and reserve development assets of $32,285,000). $461,571,000 and $145,000,000 of the impairment loss was recognised in the first and second halves of the 2015 financial year, respectively.

The recoverable amount of Horizon 2 projects was determined using a fair value less cost to sell basis.

When considering any fair value less cost to sell basis in determining the recoverable amount of Horizon 2 projects the Company has regard to implied valuations per reserve and resource tonnes of comparable projects. The group of comparable projects is included in the comparative group where they hold hematite iron ore projects at a similar stage and size within the Pilbara to the Group's. The implied valuations per reserve and resource tonne valuations have been calculated using publicly available information and the share price of the relevant company at the point of testing. This is considered to be a level three valuation technique within the fair value hierarchy.

3. IMPAIRMENT LOSS (CONTINUED)

Goodwill and port assets
For impairment testing, goodwill and port assets are allocated to the Group's singular operating segment.
Atlas recognised an impairment loss for goodwill and port assets of $179,482,000 (goodwill of $60,777,000, intangibles of $68,630,000, other receivables of $23,701,000 and investment in equity accounted investee of $26,374,000). The impairment was recognised in the first half of the 2015 financial year.

The recoverable amount was measured using a combination of life-of-mine value in use calculations of Horizon 1 mining properties and Horizon 2 projects based on discounted future cash flow and fair value, utilising other valuation methodologies including resource multiples (refer to Horizon 1 mining properties and Horizon 2 projects above).

Sensitivity

Horizon 1 mining properties
The effect of a reasonably possible change as at 30 June 2015, in the following key assumptions, in isolation to each other, to the life-of-mine value in use calculations (net present value) of the Horizon 1 mining properties, are detailed below:

Assumption	Impact on Value in Use $'000	Impairment $'000
$5 per tonne change in USD iron ore pricing	133,000	*-
$10 per tonne change in USD iron ore pricing	281,000	**115,000
$5 per tonne change in AUD operating costs	155,000	*-
100 basis points change in discount rate	26,000	*-

* No impairment of the carrying amount of the Horizon 1 mining properties due to headroom remaining in the carrying value.
** Impairment of the carrying amount of the Horizon 1 mining properties should the USD iron ore price decline by $10 per tonne.

Whilst the impact of each reasonably possible change is shown in isolation, it is possible that a change in one key assumption may be offset by a change in another key assumption.

Horizon 2 projects
As at 30 June 2015, the effect of a reasonably possible change in the following key assumption, in isolation, to the fair value less cost to sell calculations for the Horizon 2 projects are detailed below:

Assumption	Impact on Fair Value $'000	Impairment $'000
10% change in implied valuations per reserve/resource tonne	14,000	*14,000

* The recognition of this impairment assumes that the movement would fall outside of an acceptable range.

4. 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 lapsed during the year:

	2015		2014	
	Number of options	**Weighted average Exercise price**	Number of options	Weighted average Exercise price
Outstanding at the beginning of the year	11,685,000	2.79	13,195,000	2.69
Cancelled/lapsed	(11,585,000)	2.78	(1,510,000)	1.93
Outstanding at year end	**100,000**	**4.20**	11,685,000	2.79
Exercisable at year end	**100,000**	**4.20**	11,685,000	2.79

4. SHARE-BASED PAYMENTS (CONTINUED)

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.50 years (2014: 0.91 years), with an exercise price of $4.20. The weighted average price of shares at the date of exercising options was nil (2014: nil) as no options were exercised during the year.

Unexercised options at the end of the financial year

Exercise price	**Expiry date**	**2015 Number of options ‘000**
$4.20	31 December 2015	100
End of the financial year		**100**

Exercise price	Expiry date	2014 Number of options ‘000
$2.01 to $3.00	30 September 2014 to 30 June 2015	11,080
$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		11,685

Unvested unlisted performance and share appreciation rights under the Long-Term Incentive Plan (LTIP)
No performance rights or share appreciation rights were granted during the year ended 30 June 2015.

During the previous reporting period, on 2 December 2013, Key Management Personnel (KMP) and selected direct reports were granted performance rights and share appreciation rights. In 2014, the Board approved the removal of the internal Iron Ore Shipping (IOS) target and replaced it with an Earnings Per Share (EPS) target. Both rights are subject to a Total Shareholder Return (TSR) hurdle as well as EPS target, 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 2016 for LTIP granted on 2 December 2013 and 30 June 2015 for LTIP granted on 20 December 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	**2015 Number of rights**	2014 Number of rights
Balance at 1 July	7,452,542	2,429,185
Granted during the year	-	5,199,712
Vested during the year	-	-
Forfeited during the year	(2,618,808)	(176,355)
Balance at 30 June	**4,833,734**	7,452,542

Performance rights	**2015 Number of rights**	2014 Number of rights
Balance at 1 July	3,270,047	1,156,606
Granted during the year	-	2,193,771
Vested during the year*	(210,877)	-
Forfeited during the year	(988,186)	(80,330)
Balance at 30 June	**2,070,984**	3,270,047

* The weighted average exercise price of shares at the date of exercising performance rights was $0.63 (2014: nil).

2015
No performance rights or share appreciation rights were granted during the year ended 30 June 2015.

4. SHARE-BASED PAYMENTS (CONTINUED)

Modifications

The board permitted Robert Wilson and other certain employees to retain a pro-rated (based on time and performance) portion of the awards made under the LTI plan in 2013. These awards will vest subject to meeting the relevant performance hurdles set for each award grant.

2014

The fair value of the services received in return for performance rights and share appreciation rights granted on 2 December 2013 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	EPS	TSR	EPS	TSR
Vesting conditions	See below	See below	See below	See below
Test date	30 June 2016	30 June 2016	30 June 2016	30 June 2016
Performance period	1 July 2013 to 30 June 2016	1 July 2013 to 30 June 2016	1 July 2013 to 30 June 2016	1 July 2013 to 30 June 2016
Share price at grant date	N/A	N/A	$1.15	$1.15
Share price to determine number allocated (exercise price)	N/A	N/A	$1.16	$1.16
Remaining life	1 year	1 year	1 year	1 year
Risk free rate	3.1%	3.1%	3.1%	3.1%
Volatility	55%	55%	55%	55%
Dividend yield	3%	3%	3%	3%
Fair value on grant date	$1.07	$0.94	$0.37	$0.36

Vesting conditions

Total Shareholder Return (TSR)

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. The vesting schedule for the incentives 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%, i.e. between 0.5 and 1
≥ 75th percentile	100%, i.e. 1

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 2013 offer was calculated at $1.16 per right (2012 offer was $2.04 per right).

Earnings Per Share (EPS)

The EPS Scorecard will be determined based on the portion of Atlas' pre-tax underlying profit that is allocated to one share for the financial year ending.

Employee share plan

During the year the Group has offered to eligible employees a share plan whereby fully paid ordinary shares may be granted by the company to eligible employees for no cash consideration. All Australian resident permanent employees who have completed 12 months continuous service as at the qualifying date are eligible to participate in the plan. Employees may elect not to participate in the plan.

The employee share scheme is administered by the Atlas Iron Employee Share Trust. The Trust is consolidated in accordance with Note 1(b). Shares issued by the Trust to employees are acquired on-market prior to issue. Shares held by the Trust and not yet issued to employees at the end of the reporting period are recorded as treasury shares in the financial statements (refer Note 23(b-d)).

4. SHARE-BASED PAYMENTS (CONTINUED)

Under the plan, eligible employees may be granted up to $1,000 of fully paid ordinary shares in Atlas Iron Ltd annually for no cash consideration. The number of shares issued under the plan is the weighted average price that the Company's shares are traded on the ASX during the 5 days up to and including the final day of the offer period. The shares are recognised in the balance sheet as an issue of treasury shares by the Trust and as a part of employee benefits expense when the shares are granted.

Shares issued under the plan are subject to trading restrictions and may not be sold until the earlier of three years after the date of allocation or cessation of employment by the Group. In all other respects the shares rank equally with other fully paid ordinary shares.

	2015 '000	2014 '000
Number of shares granted under the plan to participating employees	**335**	175

Each participant was issued with shares worth up to $1,000 based on the weighted market price of $0.62 (2014: $0.92).

Salary Sacrifice and Matched Shares Plan
The Salary Sacrifice and Matched Shares Plan was set up to reward eligible employees for their contribution to Atlas and to provide the opportunity to employees to acquire an equity interest in Atlas in a tax effective manner via a regular salary sacrifice arrangement. The Salary Sacrifice and Matched Share Plan was approved by the Atlas Board on 24 February 2014.

All Australian full, part-time or fixed term employees of Atlas who are residents of Australia for tax purposes and have successfully completed either their probationary period or a minimum of three months continuous service, whichever is the greater at the qualifying date are able to participate in the plan.

The plan allows participants to salary sacrifice between $1,000 and $5,000 per annum from their pre-tax salary. Atlas will match the shares on a one for one basis. Shares were purchased by the Atlas Iron Employee Share Trust each month for nine months commencing in July 2014. Shares purchased each month with the participant's salary sacrifice contribution are subject to a trading restriction and must be held by the Trustee for a two year period. If participants leave before the two year restriction period they can choose for the salary sacrifice shares purchased to be transferred to them or sold. Salary sacrificed shares cannot be forfeited.

Matched shares will also be purchased on a monthly basis and are subject to a trading restriction of three years, however are subject to good and bad leaver provisions. Matched shares will be forfeited in regards to bad leavers. Bad leavers include participants that cease to be employed by the Group via voluntary resignation, dismissal for cause, fraud, criminal offence or purported dealing. Good leavers include participants that cease to be employed by the Group by reason of redundancy, death, incapacitation or any other reason determined by the Board.

Total expenses arising from share-based payment transactions recognised during the period as a part of employee benefit expense were as follows:

	2015 $'000	2014 $'000
Expenses arising from share-based payment transactions		
Employee share plan	-	(368)
Salary Sacrifice and Matched Shares Plan	(97)	-
Performance and share appreciation rights	355	(2,045)
Total	**258**	(2,413)

5. ADMINISTRATIVE EXPENSES

	2015 $'000	2014 $'000
Salaries and benefits*	(9,816)	(15,993)
Corporate expenses	(2,575)	(3,845)
Consultancy expenses	(4,182)	(10,025)
Building and properties	(6,966)	(6,768)
Other expenses	(1,349)	(2,132)
	(24,888)	(38,763)

* Contributions of $3,475,000 were made during the year (2014: $4,304,000) to defined contribution plans.

Expenses comprise costs for both corporate activities and shared services.

6. OTHER EXPENSES

	2015 $'000	2014 $'000
Restructuring costs - onerous lease	(19,514)	(6,303)
Restructuring costs - other	(8,578)	-
Total restructuring costs	**(28,092)**	-
Suspension costs*	(24,711)	-
Provision for settlement	(4,146)	-
Business combination expense	(3,566)	-
Care and maintenance	(1,734)	(2,110)
	(62,249)	(8,413)

* Due to the suspension and recommencement of operations during the year, Atlas incurred costs totalling $20,965,000 with BGC Contracting Pty Ltd (2014: nil) and other key contractors $3,746,000 (2014: nil) to cover termination, suspension, remobilisation and other costs as per contractual agreements. $19,420,000 of the costs associated with BGC Contracting Pty Ltd were settled subsequent to year end by way of equity.

Atlas has an onerous lease in which the lease payments are expected to exceed the rental income. Refer to Note 22 for further details.

7. NET FINANCE INCOME/(EXPENSE)

	2015 $'000	2014 $'000
Interest income	4,006	8,608
Interest accretion	910	1,774
Finance income	**4,916**	10,382
Interest expense – Term Loan B	(29,626)	(26,235)
Amortisation of debt establishment costs	(4,423)	(4,414)
Other finance expenses	(2,409)	(4,556)
Finance expense	**(36,458)**	(35,205)
Net (loss)/gain on foreign exchange	(39,339)	37
Net finance expense	**(70,881)**	(24,786)

8. INCOME TAX

	2015 $'000	2014 $'000
The major components of income tax are:		
Deferred income tax:		
Relating to origination and reversal of temporary differences	67,003	5,056
Adjustments in respect to prior year	-	(836)
Deferred MRRT:		
Relating to origination and reversal of temporary differences	-	(41,321)
Income tax benefit on MRRT	-	12,396
Tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income	**67,003**	(24,705)

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

	2015 $'000	2014 $'000
Accounting loss before income tax	(1,310,823)	(10,453)
At the Group's statutory income tax rate of 30% (2014: 30%)	**(393,247)**	(3,136)
Other non-deductible	1,789	2,454
Equity accounting for share of loss of associates and joint ventures	1,076	1,049
Adjustment in respect of prior year	-	(836)
Impairment:		
- Goodwill	18,233	-
- Tenements	6,454	954
- Equity accounted investments	15,608	2,100
Temporary differences not brought to account	121,388	1,635
Prior years losses derecognised	295,702	-
MRRT:		
MRRT (benefit)/expense	-	(41,321)
Income tax expense/(benefit) on MRRT	-	12,396
Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income	**67,003**	(24,705)

8. INCOME TAX (CONTINUED)

2015

Deferred income tax — **Statement of financial position**

	2014 $'000	Recognised in profit or loss	Equity	2015 $'000
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities (DTL)/Deferred income tax assets (DTA)				
Port access rights	(20,721)	20,721	-	-
Mining tenements capitalised	(143,568)	170,137	-	26,569
Mine development costs	(84,575)	78,380	-	(6,195)
Prepayments and accruals	1,550	317	-	1,867
Other assets	4,404	(3,290)	-	1,114
Cash and interest bearing loans	(1,437)	29,798	-	28,361
Plant and equipment	2,121	(14,302)	-	(12,181)
Reserve improvement	(9,886)	4,744	-	(5,142)
Provisions	21,947	7,868	-	29,815
Employee benefits	1,466	(765)	-	701
Carried forward tax losses	359,547	56,479	-	416,026
	130,848	350,087	-	480,935
Less deferred tax assets not recognised	(63,845)	(417,090)	-	(480,935)
	67,003	(67,003)	-	**-**

2014

Deferred income tax — **Statement of financial position**

	2013 $'000	Recognised in profit or loss	Equity	Transfer to Disposal Group	2014 $'000
Deferred income tax at 30 June relates to the following:					
CONSOLIDATED					
Deferred income tax liabilities (DTL)/Deferred income tax assets (DTA)					
Port access rights	(22,762)	2,041	-	-	(20,721)
Mining tenements capitalised	(155,737)	4,963	718	6,488	(143,568)
Mine development costs	(33,664)	(50,911)	-	-	(84,575)
Prepayments and accruals	1,612	(62)	-	-	1,550
Other assets	8,483	(4,120)	47	(6)	4,404
Cash and interest bearing loans	7,227	(8,664)	-	-	(1,437)
Plant and equipment	535	1,586	-	-	2,121
Reserve improvement	294	(10,180)	-	-	(9,886)
Provisions	11,093	10,854	-	-	21,947
Employee benefits	1,111	355	-	-	1,466
Carried forward losses	309,626	49,917	-	4	359,547
	127,818	(4,221)	765	6,486	130,848
Less deferred tax assets not recognised	(63,845)	-	-	-	(63,845)
DTA arising from MRRT DTL	12,396	(12,396)	-	-	-
	76,369	(16,617)	765	6,486	67,003
MRRT DTL	(41,321)	41,321	-	-	-
	35,048	24,704	765	6,486	67,003

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

8. INCOME TAX (CONTINUED)

Deferred tax assets not recognised

	2015 $'000	2014 $'000
Temporary differences	216,364	-
Tax losses	1,379,708	208,150
Capital losses	7,045	4,666
	1,603,117	212,816

9. DIVIDENDS PAID AND PROPOSED

Declared and paid during the year:

	2015 $'000	2014 $'000
Dividends paid on ordinary shares:		
Final unfranked dividend for 2014: 2.0 cents per share paid on 6 October 2014 (2013: 3.0 cents per share paid on 20 September 2013).	18,314	27,291
Dividends declared on ordinary shares:		
Final unfranked dividend for 2015: nil (2014: 2.0 cents per share)	-	18,314

The dividend franking account has a nil balance as at 30 June 2015 (2014: nil). The final unfranked dividend for 2014 includes $2,115,000 relating to the dividend reinvestment plan.

10. TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Current		
Trade receivables*	12,182	42,202
Provisional pricing**	8,873	4,644
Security deposits***	2,918	22,077
Related party receivables	-	552
Loan receivable from joint arrangements (Note 30)	-	8,690
	23,973	78,165
Non–current		
Security deposits***	7,795	9,971
Loan receivable from joint arrangements (Note 30)	116	31,577
Other	4,097	-
	12,008	41,548

* Includes trade receivables past due but not impaired of nil (2014: nil).
** Provisional pricing receivable relates to amounts receivable on provisionally priced commodity sales contracts that are yet to be settled. No amount is in an open position as at 30 June 2015. These contracts may be settled with provisionally priced payables.
*** Security deposits represent cash backing for office bonds, bank guarantee and a credit card facility.

The Company has bank guarantees predominantly related to security deposits representing cash backing for office bonds, bank guarantees and a credit card facility. In 2014 the bank guarantees held also included exploration and mining bonds which are no longer required under the Mining Rehabilitation Fund (MRF). The total bank guarantees on issue at period end are $10,357,000 (2014: $31,961,000).

11. PREPAYMENTS

	2015 $'000	2014 $'000
Current	15,239	20,110
Non-current	6,875	17,395
	22,114	37,505

Previously, 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. The remaining contributions and interest were recouped in full during the current year for an amount of $5,289,000 (2014: $14,926,000).

In the 2012 financial year the Group entered into a long-term infrastructure sharing agreement for Wodgina operations. As part of this arrangement the Group contributed a total of $59,730,000. An expense of $9,282,000 was recognised during the current financial year (2014: $10,635,000). Disclosed within Prepayments – Current is the amount expected to be recouped within the next 12 months, being $10,313,000 (2014: $9,076,000).

12. INVENTORIES

	2015 $'000	2014 $'000
Consumables – at cost	708	139
Work in progress – at cost	5,790	5,118
Work in progress – at net realisable value	-	35,993
Finished goods – at cost	9,106	4,870
Finished goods – at net realisable value	-	7,305
	15,604	53,425

Writedowns of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $29,769,000 (2014: $10,017,000). The expense has been included in operating costs in the consolidated statement of profit or loss and other comprehensive income. Refer to Note 2.

13. DISPOSAL GROUP AND ASSETS HELD FOR SALE

	2015 $'000	2014 $'000
Disposal group held for sale	-	4,738
Asset held for sale	-	15,000
	-	19,738
Disposal group and assets held for sale breakdown:		
Disposal group and assets held for sale	-	29,896
Disposal group liabilities held for sale	-	(7,534)
Disposal group reserves held for sale	-	1,164
Disposal group non-controlling interest	-	(3,788)
	-	19,738

Assets and Liabilities of Disposal group held for sale

At 30 June 2014, the assets and liabilities of disposal group held for sale comprised the Group's 53.45% interest in Shaw River Manganese Limited (Shaw River), which Atlas acquired control of on 29 August 2012. A Memorandum of Understanding (MOU) was reached with Bryve Resources (Bryve) with the intention of entering into a binding sales arrangement in respect of the sale of interests in Shaw River. On 13 August 2014, the Group disposed of a 9.69% interest in Shaw River for a cash consideration of $306,000, resulting in loss of control and as the Group retained a 43.76% interest in Shaw River significant influence was considered to exist. As a result of the MOU with Bryve, the disposal group held for sale was reclassified as an asset held for sale and a loan receivable from Shaw River of

13. DISPOSAL GROUP AND ASSETS HELD FOR SALE (CONTINUED)

$3,528,000 was recognised. Termination costs of $480,000 were paid to Shaw River in accordance with the MOU. The Group's investment in Shaw River was equity accounted until the remaining interest was disposed.

Following the disposal of the 9.69% interest in Shaw River, the remaining investment held for sale was stated at fair value less costs to sell of $1,384,000, which represented the consideration expected from Bryve. In February 2015, the conditions precedent to which Bryve were granted the option to purchase the remaining interest from the Group were satisfied and the option was exercised by Bryve. Consideration of $1,384,000 was received in full in two tranches with no gain or loss recognised on the disposal of the asset held for sale.

During the year ended 30 June 2015, the Group recognised an impairment reversal of $2,157,000.

The disposal group held for sale was stated at fair value less costs to sell or carrying value and comprised the following assets and liabilities:

	2015 $'000	2014 $'000
ASSETS		
Cash	-	331
Receivables	-	204
Prepayments	-	27
Investment in equity accounted investees	-	384
Property, plant and equipment	-	305
Mining tenements capitalised	-	13,645
LIABILITIES		
Trade and other payables	-	(353)
Employee benefits	-	(114)
Provisions	-	(581)
Deferred tax liability	-	(6,486)
Disposal group net assets held for sale	**-**	7,362
EQUITY		
Reserves	-	1,164
Non-controlling interest	-	(3,788)
Disposal group held for sale	**-**	4,738

Mining and exploration tenements
In June 2014, Atlas expected to sell a group of non-core mining and exploration tenements in the mid-west region of Western Australia. A Memorandum of Understanding was reached with an interested party for the interested party to undertake due diligence and for the parties to negotiate with the intention of entering into a binding sale arrangement in respect of the tenements. During the year ended 30 June 2015, the sale of the non-core mining and exploration tenements was not executed and the Group impaired these assets. Refer to Note 3.

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	2015 $'000	2014 $'000
Investment in joint venture (Note 3)	-	27,211
Investment in associates	414	3,411
	414	30,622
Share of loss of associate	(2,751)	(3,778)
Share of (loss)/profit of joint venture	(836)	729
Total share of loss of equity accounted investees	**(3,587)**	(3,049)

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

(i) Investment in joint venture

Name of entity	Principal activity		Ownership interest 2015 %	2014 %
NWI Pty Limited	Port development	Joint Venture	**63.00**	63.00

Significant judgements and assumptions
The Group has an interest of 63.00% in NWI Pty Ltd (NWI); however it does not have control under the AASB 10 *Consolidation of Financial Statements* definition, as decisions cannot be made without the unanimous approval of all shareholders as stated in the Corporate Governance Agreement. No individual shareholder controls NWI.

(ii) Investment in associates

	2015 $'000	2014 $'000
Carrying value of interest in associates	**414**	3,411
Share of:		
- Loss from continuing operations	(2,751)	(3,778)
- Other comprehensive (loss)/income	(329)	124
	(3,080)	(3,654)

Name of entity	Principal activity		Ownership interest 2015 %	2014 %
Centaurus Metals Limited	Iron ore exploration	Associate	**20.48**[1]	20.97
Shaw River Manganese Limited	Mineral exploration	Associate	**0.00**[2]	53.45
Kalamazoo Resources Pty Ltd	Mineral exploration	Associate	**0.00**[3]	25.10

Significant judgements and assumptions

[1] During the period, the Group participated in Centaurus Metals Limited's (Centaurus) fundraising contributing $250,000. The change in shares on issue subsequent to the fundraising diluted Atlas' current interest to 20.48%. The Group does not have control in accordance with AASB 10 *Consolidated Financial Statements*, as the Group's representation on the Board does not constitute power over direct activities. The Group has recognised a $1,900,000 impairment to writedown the carrying value of its investment to fair value at 30 June 2015. Refer to Note 3 for further details.

[2] On 13 August 2014, the Group disposed of a 9.69% interest in Shaw River Manganese Limited (Shaw River) resulting in loss of control. Shaw River was equity accounted for up until the date of disposal of the remaining interest in February 2015. Refer to Note 13 for further details.

[3] As a result of the disposal of Shaw River, the Group ceased recognising Kalamazoo Resources Limited (Kalamazoo) (2014: 25.10%) as the Group's interest was disposed on sale of Shaw River. Refer to Note 13 for further details.

The Group's interest in associates is accounted for using the equity method.

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	2015 $'000	2014 $'000
At cost		182,625	184,996
Accumulated depreciation		(53,549)	(41,153)
	15(a)	**129,076**	143,843

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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.

	2015 $'000	2014 $'000
Property		
Carrying amount at beginning	13,946	14,724
Transfers	45,791	1,068
Additions		
- Buildings	11,128	323
- Under construction	-	705
Impairment (Note 3)	(3,113)	-
Disposal	(3,014)	-
Depreciation expense	(1,830)	(2,720)
Transfers to disposal group held for sale (Note 13)	-	(154)
Carrying amount at end	**62,908**	13,946
Plant and equipment		
Carrying amount at beginning	129,897	14,910
Transfers	(46,108)	115,288
Additions	3,710	17,941
Disposals	(337)	(115)
Transfers to disposal group held for sale (Note 13)	-	(150)
Depreciation expense	(15,414)	(16,966)
Impairment loss (Note 3)	(6,168)	(1,011)
Carrying amount at end	**65,580**	129,897
Assets under construction		
Carrying amount at beginning	-	64,253
Transfers	18	(64,253)
Additions	570	-
Carrying amount at end	**588**	-
Total	**129,076**	143,843

16. INTANGIBLES

	Notes	2015 $'000	2014 $'000
At cost		20,671	149,396
Accumulated amortisation		(19,085)	(14,049)
	16(a)	**1,586**	135,347

16. INTANGIBLES (CONTINUED)

(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.

	2015	2014
	$'000	$'000
Goodwill		
Carrying amount at beginning	60,777	60,777
Impairment (Note 3)	(60,777)	-
Carrying amount at end	**-**	60,777
Port access rights		
Carrying amount at beginning	71,591	75,838
Impairment (Note 3)	(68,630)	-
Amortisation expense	(2,961)	(4,247)
Carrying amount at end	**-**	71,591
Other		
Carrying amount at beginning	2,979	4,439
Additions	412	1,402
Transfers	270	107
Amortisation expense	(2,075)	(2,969)
Carrying amount at end	**1,586**	2,979
	1,586	135,347

For impairment testing, goodwill is allocated to the Group's singular operating segment (Note 31). 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. Refer to Note 3 for impairments recognised during the year.

17. MINE DEVELOPMENT COSTS

	2015	2014
	$'000	$'000
At cost	756,160	844,666
Accumulated amortisation and impairment	(417,938)	(329,509)
	338,222	515,157
Mine development cost breakdown:		
Carrying amount at beginning	515,157	413,754
Additions*	67,604	301,202
Reassessment of rehabilitation asset	8,885	22,146
Transfers from mining tenements capitalised	-	3,124
Transfers to evaluation expenditure - reserve development	-	(4,785)
Transfers to property, plant and equipment	-	(52,139)
Impairment (Note 3)	(164,995)	-
Amortisation	(88,429)	(168,145)
Carrying amount at end	**338,222**	515,157

* Includes 30% acquisition of Altura's portion of the Mt Webber joint operation. Refer to Note 25 for further details.

18. EVALUATION EXPENDITURE – RESERVE DEVELOPMENT

	2015 $'000	2014 $'000
Evaluation expenditure – reserve development	**17,140**	49,615
Evaluation expenditure – reserve development breakdown:		
Carrying amount at beginning	49,615	10,870
Additions	4,796	31,544
Impairment (Note 3)	(37,271)	-
Transfer from mine tenement acquisition costs	-	2,416
Transfer from mine development costs	-	4,785
Carrying amount at end	**17,140**	49,615

19. MINING TENEMENTS CAPITALISED

	2015 $'000	2014 $'000
Tenement acquisition costs	**141,414**	716,874
Tenement acquisition cost breakdown:		
Carrying amount at beginning	716,874	764,704
Other acquisition	363	350
Disposals	(1,310)	-
Impairment (Note 3)	(574,253)	(10,811)
Transfers to reserve development costs	-	(2,416)
Transfers to mine development costs	-	(3,124)
Transfers to assets held for sale (Note 13)	(260)	(15,000)
Transfers to disposal group held for sale (Note 13)	-	(13,645)
Foreign exchange difference	-	(3,184)
Carrying amount at end	**141,414**	716,874

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.

20. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Current		
Trade payables*	30,890	25,749
Accrued expenses	52,294	102,872
Royalty payable	5,541	18,846
Provisional pricing and rebates payable**	20,322	33,025
Other payables	1,272	7,259
	110,319	187,751
Non-current		
Other payables and accruals	4,000	-
	4,000	-

* Trade payables are normally settled on a 30-day basis except for key contractors, who are settled in the month of service.
** Provisional pricing payable relates to amounts payable on provisionally priced commodity sales contracts that are yet to be settled. These contracts may be settled with provisionally priced receivable. No amount is in an open position as at 30 June 2015.

Trade and other payables are non-interest bearing.

21. INTEREST BEARING LOANS AND BORROWINGS

	2015 $'000	2014 $'000
Current		
Unsecured pre-export finance facility	-	14,331
Secured debt facility	3,581	2,920
	3,581	17,251
Non-current		
Secured debt facility	345,540	284,634
Borrowing costs	(9,601)	(13,529)
	335,939	271,105

On 10 December 2012, Atlas entered into a Term Loan B facility of US$275,000,000 which was fully drawn. 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, with minor penalties being payable in the event of refinancing in the Term Loan B market (soft call protection). The facility amortises at 1% per annum and then the remainder paid out on maturity. As at 30 June 2015, the outstanding balance was US$268,100,000 (2014: US$270,900,000). Establishment fees paid in relation to this facility total $19,605,000, with an amortisation expense of $3,928,000 (2014: $3,918,000) being recognised during the current financial period. Interest expense recognised is $29,626,000 (2014:$26,235,000).

On 10 December 2012, Atlas also put in place a A$50,000,000 three-year revolving facility. As of 30 June 2015 this facility remains undrawn. Establishment fees paid in relation to this facility totalled $1,486,000 with an amortisation expense of $495,000 (2014: $495,000) being recognised during the current financial period. This facility has a 2.25% commitment fee for any undrawn amounts, with an expense of $1,125,000 (2014: $1,125,000) being recognised during the current financial period.

In the prior year Atlas had a pre-export funding facility to improve timing of funds received on iron ore sales. This facility was cancelled during the year.

	2015		2014	
Facility	**Available funds $'000**	**Amount drawn $'000**	Available funds $'000	Amount drawn $'000
Term Loan B facility*	349,121	349,121	287,553	287,553
Three year revolving facility	50,000	-	50,000	-
Pre-export funding facility*	-	-	53,079	14,331
Balance at end of year	**399,121**	**349,121**	390,632	301,884

* Facilities are denominated in USD and shown per their AUD equivalent in the table.

22. PROVISIONS

	2015 $'000	2014 $'000
Current		
Rehabilitation and demobilisation	3,062	2,750
Onerous lease	3,135	1,178
Other	1,017	-
	7,214	3,928
Non-current		
Rehabilitation and demobilisation	68,531	61,665
Onerous lease	22,878	5,125
	91,409	66,790
Provisions breakdown:		
Carrying amount at beginning	70,718	49,656
Provisions made during the year	34,556	30,253
Provisions used during the year	(7,992)	(9,189)
Unwind of discount	1,341	579
Transfer provisions to disposal group held for sale (Note 13)	-	(581)
Carrying amount at end	**98,623**	70,718

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.

Onerous lease
In 2012, the Group entered into a non-cancellable lease for office space which will expire in 2024. Due to changes in requirements, a portion of the office space is sublet to a third party for part of the remaining lease term but changes in market conditions have meant that the rental income will be lower than the rental expense. In addition, a portion of the remaining office space is surplus to current requirements and the Group is actively looking to sublet this space. The obligation for the discounted future payments, net of expected rental income, has been provided for by the Group.

23. ISSUED CAPITAL, RESERVES, ACCUMULATED PROFIT/(LOSS) AND OTHER EQUITY

(a) Issued and paid up capital

	Notes	2015 Number of shares '000	2015 $'000	2014 Number of shares '000	2014 $'000
(i) share capital					
Ordinary shares fully paid	23(b)	919,045	1,991,630	915,161	1,989,359
		919,045	**1,991,630**	915,161	1,989,359

Notes to the Consolidated Financial Statements (continued)

23. ISSUED CAPITAL, RESERVES, ACCUMULATED PROFIT/(LOSS) AND OTHER EQUITY (CONTINUED)

(b) Movements in share capital and other equity securities

	2015		2014	
	Number of shares '000	**$'000**	Number of shares '000	$'000
Beginning of the financial year	915,161	1,989,359	909,718	1,984,654
Issued during the year:				
- Ordinary shares issued upon vesting of performance rights	205	129	-	-
- Treasury shares*	(95)	56	(335)	(212)
- Ordinary shares issued through dividend reinvestment plan	3,774	2,086	5,778	4,917
End of the financial year	**919,045**	**1,991,630**	915,161	1,989,359

* Treasury shares are net of purchases and issues.

(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

	2015	2014
	$'000	$'000
Share-based payments reserve	30,045	30,604
Associates' reserve	(363)	(692)
Total reserves	**29,682**	29,912
Foreign currency translation reserve – disposal group held for sale	-	(1,164)
Total reserves including the disposal group held for sale	**29,682**	28,748

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:

(i) the grant date fair value of options issued but not exercised

(ii) the difference between the grant date fair value of shares issued to employees less the issue of shares held by the Atlas Iron Employee Share Trust.

The associates' reserve mainly recognises Atlas' share of the foreign currency translation reserve belonging to the associates.

(f) Other Equity

	2015	2014
	$'000	$'000
Shares to be issued	10,086	-

On 25 June 2015, Atlas obtained shareholder approval for the issue of Contractor Shares and Contractor Options, in accordance with the conditions to the offer disclosed in the Prospectus dated 11 June 2015. The shares to be issued at 30 June 2015 were issued on 24 July 2015.

24. STATEMENT OF CASH FLOWS

(a) Reconciliation of the (loss)/profit after income tax to the net cash flows from operations

	2015 $'000	2014 $'000
Net (loss)/profit	(1,377,826)	14,252
Non-cash items		
Depreciation and amortisation of non-current assets	117,794	207,893
Share-based payment expense	(258)	2,413
Impairment loss	980,371	18,822
Inventory writedown	29,769	10,017
Loss on disposal of fixed assets	1,071	173
Net foreign exchange loss/(gain)	39,339	(37)
Amortisation of debt establishment costs	4,423	4,413
Net interest (income)/expense - other	(1,977)	1,631
Interest expense on borrowing facilities	30,750	27,387
Business combination expense	3,566	-
Gain/(loss) on financial instruments	(7,276)	-
Share of loss of equity accounted investees	3,587	3,049
Change in fair value of financial assets	687	(64)
Restructuring costs – onerous lease	19,514	6,303
BGC settlement	20,842	-
Tax expense	67,003	(24,705)
Other	(936)	(5,164)
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	25,888	(11,288)
Decrease in prepayments	4,108	15,347
Decrease/(increase) in inventories	23,886	(14,827)
(Decrease)/increase in trade and other payables	(49,541)	32,234
(Decrease)/increase in employee entitlements	(3,083)	1,352
Increase in provisions	1,212	-
Net cash (outflow)/inflow from operating activities	**(67,087)**	289,201

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

	2015 $'000	2014 $'000
Cash at bank and in hand	73,305	160,548
Short term deposits	-	103,694
Closing cash and cash equivalents balance	**73,305**	264,242

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, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

(c) Non-cash financing and investing activities

During the year ended 30 June 2015, Atlas gained 100% ownership (2014: 70%) of the Mt Webber mine joint operation as a result of a debt swap which was through a non-cash investing activity (refer to Note 25).There were no other non-cash financing and investing activities for the year ending 30 June 2015 (2014: nil).

25. INTEREST IN JOINT OPERATIONS

Name of operation	Principal activity		Ownership interest 2015 %	2014 %
Mt Webber	Mineral exploration	Joint operation	**100**	70

During the year ended 30 June 2015, Atlas gained 100% (2014: 70%) ownership of the Mt Webber mine joint operation.

On 24 December 2014, Atlas entered into an agreement with joint operation partner Altura Mining Limited ("Altura") to purchase their 30% joint operation interest in the Mt Webber mine, which was subject to Altura shareholder approval. Once Altura shareholder approval was received on 13 February 2015, Atlas completed the acquisition.

The final consideration to purchase the 30% interest in assets and liabilities at Mt Webber was $28,500,000, which comprised predominantly of capitalised mine development costs. The consideration comprised of a debt swap of $24,500,000 (principal and interest) between Altura and Atlas and the present value of a future sales royalty stream of $4,000,000. The sales royalty relates to 1% of the free on board sales price on Altura's share of tonnes produced from Mt Webber and other jointly owned peripheral tenements when the 62% iron ore price averages greater than AUD$95 in the month of delivery. As a result of the transaction there was no cash paid by Atlas, nor any goodwill or gain on bargain purchase recognised on completion of the acquisition. The initial 70% interest was not revalued as it is an acquisition of the remaining interest in a joint operation.

Before Atlas gained 100% ownership of the Mt Webber mine, the Mt Webber arrangement was not a separate vehicle as it did not have a separately identified financial structure or was a separate legal entity. The Group recognised in full its share of assets, liabilities, revenue and expenses relating to the Mt Webber operations.

The principal place of business of the joint operation is Australia.

26. EXPENDITURE COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

(a) Exploration lease 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:

	2015 $'000	2014 $'000
Not later than one year	4,917	7,858
Later than one year and not later than five years	17,689	13,902
More than five years	47,260	40,307
	69,866	62,067

(b) Contractual commitments

	2015 $'000	2014 $'000
Port Handling fees		
Not later than one year	-	11,168
Later than one year and not later than five years	-	2,540
	-	13,708

The Group renegotiated its port handling services agreement during the year. No minimum commitment applies as at 30 June 2015.

	2015 $'000	2014 $'000
Other		
Not later than one year	59,842	45,460
	59,842	45,460

26. EXPENDITURE COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (CONTINUED)

The Group has entered into operational contracts that are cancellable, in which case a minimum commitment applies. These mainly relate to mining, crushing and hauling contracts.

(c) Lease expenditure commitments
Operating lease commitments – Group as lessee
Operating leases (non-cancellable): Minimum lease payments

	2015	2014
	$'000	$'000
Not later than one year	10,274	10,570
Later than one year and not later than five years	31,938	32,764
More than five years	33,221	39,888
Aggregate expenditure contracted for at reporting date	**75,433**	83,222

The Group has entered into leases for office and accommodation buildings, motor vehicles, office equipment and port handling facilities.

During the year, an expense of $10,691,000 was recognised in profit or (loss) in respect of operating leases (2014: $10,687,000).

Operating lease commitments – Group as lessor
Operating leases (non-cancellable): Minimum lease payments

	2015	2014
	$'000	$'000
Not later than one year	2,157	1,367
Later than one year and not later than five years	4,513	1,230
Aggregate expenditure contracted for at reporting date	**6,670**	2,597

The Group has entered into commercial property leases to sublease the Group's surplus office space.

(d) Guarantees
In the previous financial year, Atlas provided a guarantee to an unrelated party for their performance in a lease agreement of $1,606,000.

27. SUBSEQUENT EVENTS

Following a significant and sustained fall in the USD iron ore price the Company suspended its mining operations in April 2015 and undertook a whole of business review. In May 2015, the Company executed the contractor collaboration agreement with certain key contractors which significantly reduces Atlas' cost base (in lower iron ore price environments) and therefore contributes to a more sustainable business.

On the back of establishing the contractor collaboration model the Company issued a Prospectus on 11 June 2015 to raise up to $180 million of equity. Shareholder approval for the capital raising was received on 25 June 2015.

Subsequent to year end the Company received applications for $87 million from existing shareholders, contractors and new investors. The Company issued 1,744,762,043 fully paid ordinary shares at an issue price of $0.05 per share on 24 July 2015. In addition, 1,774,762,043 free listed options were issued to subscribing parties, which are exercisable at $0.075 per share and expire on 30 June 2017.

The Company lifted suspension in the trading of its securities on 27 July 2015.

No other matters have arisen since 30 June 2015, 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.

28. (LOSS)/PROFIT PER SHARE

(a) Reconciliation of earnings to (loss) or profit

	2015 $'000	2014 $'000
Net (loss)/profit	(1,377,826)	14,252
(Loss)/profit used in calculating basic (loss)/profit per share	**(1,377,826)**	14,252

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic (loss)/profit per share

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares used in calculating basic (loss)/profit per share	**918,035,916**	914,351,906

Effect of dilutive securities:
Atlas' potential ordinary shares at 30 June 2015, being its options and rights granted, are not considered dilutive as the conversion of these options and rights would result in a decrease in the net loss per share. The calculation of diluted earnings per share at 30 June 2014 was based on profit attributable to ordinary shareholders of $14,252,000 and a weighted average number of shares outstanding after adjustments for the effects of all ordinary shares of 925,074,495 calculated below:

(c) Weighted average number of ordinary shares (diluted)

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares (basic)	918,035,916	914,351,906
Effect of share options/rights on issue	-	10,722,589
Weighted average number of ordinary shares (diluted)	**918,035,916**	925,074,495

The average market value of the Group's shares, for the purposes of calculating the dilutive effect of share options, was based on the quoted market prices for the period that the options were outstanding.

29. AUDITOR'S REMUNERATION

	2015 $	2014 $
Audit or review of the financial report of the Group	277,500	251,550
Audit of the Mt Webber joint operation	-	25,000
Audit and review services	**277,500**	276,550
Investigating accountant's report - Prospectus	400,944	-
Accounting advisory services	31,900	-
Project controls and advisory services	-	80,975
Contract review services	-	17,665
Administrative staff secondments	-	55,500
Other services provided to the Group	24,500	12,000
Other services	**457,344**	166,140
	734,844	442,690

Amounts received or due to KPMG for audit or review of Shaw River's financial report have not been included above.

30. RELATED PARTY DISCLOSURES

The financial statements include the financial statements for the Group and the subsidiaries listed in Note 33. Summarised financial information for the Group's associates and joint ventures are contained within Note 14.

(a) Key management personnel and Director related transactions

Kerry Sanderson AO, a Non-Executive Director of the Group (resigned effective 19 September 2014) was 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,

30. RELATED PARTY DISCLOSURES (CONTINUED)

software maintenance and training and development. The total cost for services provided was $9,833 (2014: $126,411), of which nil is outstanding as at 30 June 2015 (2014: $15,690).

Sook Yee Tai, a Non-Executive Director of the Group is also the Managing Director of IMC Industrial Group. During the period, the Group sold iron ore to IMC Resources (China) Ltd, a subsidiary of IMC Industrial Group to the value of $4,065,000 net CFR (2014: $41,640,000). As at 30 June 2015, the Group received all payments for shipments. Oriental

Bulk Shipping Pte Ltd, a subsidiary of IMC Industrial Group, provided freight services to the Group. The total cost for services provided was $1,534,000 (2014: $12,761,000), none of which was outstanding as at 30 June 2015 (2014: nil).

(i) *Compensation of key management personnel by category*
The information regarding individual Directors and Executives compensation required by Corporations Regulation 2M.3.03 is provided in the remuneration section of the Directors' Report.

	2015	2014
	$'000	$'000
Short term	3,020	4,013
Long term	64	67
Post-employment	548	276
Share-based payment	(273)	1,420
	3,359	5,776

(ii) *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.

(b) Investments in other entities

Name of related party		**Ownership interest**	**Loans to related parties**	**Other related party transactions**[2]
		%	**$'000**	**$'000**
Mt Webber Joint Operation	**2015**	100.00	-	1,593
	2014	70.00	18,105	553
NWI Pty Limited	**2015**	63.00	116	(199)
	2014	63.00	22,162	(62)
Centaurus Metals Limited	**2015**	20.48	-	(250)
	2014	20.97	-	(1,500)
Shaw River Manganese Limited[1]	**2015**	-	-	(241)
	2014	53.45	-	-
Kalamazoo Resources Pty Ltd[1]	**2015**	-	-	-
	2014	25.10	-	-

[1] As a result of the Group's loss on control of Shaw River in August 2014 due to the partial sale of 9.69% interest in Shaw River, the Group ceased recognising Shaw River as a subsidiary and Kalamazoo as an associate. The Group's interest in Shaw River was fully disposed in February 2015. Details of the transaction are outlined in Note 13.
[2] Negative is an expense or outflow and positive is income or inflow.

Mt Webber Joint Operation
As at 30 June 2014, the Group had a loan receivable from Altura Mining Limited (30% interest in the Mt Webber joint operation) of $18,105,000. On 24 December 2014 Atlas gained 100% (2014: 70%) ownership of the Mt Webber mine after entering into an agreement with joint operation partner Altura Mining Limited ("Altura") to purchase their 30% joint operation interest in the Mt Webber joint operation. The acquisition was completed in February 2015. The consideration paid to Altura for their 30% fair value interest in mine development costs capitalised was equivalent to the receivable owed (principal and interest) and a sales royalty stream. Refer to Note 25 for further details. Up until the point at which Atlas completed the acquisition, the loan earned interest at 12% per annum. Interest earned on the loan during the year was $1,593,000 (2014: $553,000).

30. RELATED PARTY DISCLOSURES (CONTINUED)

NWI Pty Limited
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. As at 30 June 2015, the Group has a loan receivable from NWI Pty Limited of $23,817,000 (2014: $22,162,000). For the year ended 30 June 2015, the Group recorded an impairment of $23,701,000 relating to amounts owed by related parties (2014: nil), which resulted in a carrying value of $116,000 (2014: $22,162,000). Refer to Note 3 for further details. 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.

During the period a variation deed was executed on 12 May 2015, extending the interest free period of the loan from five to seven years, as well as extending the term of the loan from seven to nine years. The unsecured loan earns interest at the Australian Government five year bond rate plus a margin of 2% (subsequent to the interest free period) and is repayable by May 2020. During the period, Atlas contributed $199,000 (2014: $62,000) towards legal fees.

Shaw River Manganese Limited
During the year ended 30 June 2015, the Group sold an interest in Shaw River to Bryve Resources which resulted in loss of control of Shaw River. As a result of the loss of control, the Group's investment in Shaw River was equity accounted until the remaining interest was disposed and a loan receivable from Shaw River of $3,528,000 was recognised. The interest rate on the SSR loan changed during the year with all interest accrued from August 2014 onwards being accrued at 6% (previously 11%) in line with Shaw River sale agreement. Interest earned on the related party loan up until the complete disposal of Shaw River was $239,000 (2014: nil). In addition, termination costs of $480,000 were paid to Shaw River (2014: nil) in accordance with the sale agreement as part of the disposal. Refer to Note 13 for further details.

Centaurus Metals Limited
During the period, the Group contributed to Centaurus Metals Limited's equity raising to maintain its ownership interest. Atlas' consideration for the fundraising was $250,000 (2014: $1,500,000). Refer to Note 14 for further details.

31. 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.

32. 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 and Risk Committee.

The Group's Treasury function reports to the Board and 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 Group to enter into any sold option positions.

32. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Fair value hierarchy
The following table shows the fair value of financial assets including their levels in the fair value hierarchy. The Group has not disclosed the fair values for financial instruments such as short-term trade receivables, payables and interest bearing loans, because their carrying amounts are a reasonable approximation of fair values.

	2015	2014
	$'000	$'000
Financial Assets		
Level 1*		
Financial assets classified as held for trading	-	1,711
Level 2**		
Financial instruments – iron ore derivatives	604	-
Level 3***		
Financial instruments – embedded derivatives	-	1,665
	604	3,376

* Level 1 denotes: quoted prices (unadjusted) in active markets for identical assets.
** Level 2 denotes: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).
*** Level 3 denotes: valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

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.

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's policies limit 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. The Company is currently in compliance with these limits. Certain different limits apply with respect to potential counterparties for commodity hedging transactions. Refer to commodity price risk below.

Exposure to credit risk
The maximum exposure to credit risk at the reporting date is the carrying amount of the Group's financial assets:

	Notes	**2015**	2014
		$'000	$'000
Cash and cash equivalents	24(b)	73,305	264,242
Cash and cash equivalents – disposal group held for sale	13	-	331
Trade and other receivables*	10	35,981	119,713
		109,286	384,286

* Includes trade receivables past due but not impaired of nil (2014: nil). 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 and forecasting processes, which are used to predict liquidity needs to support the Group's funding requirements.

32. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

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 2015 $'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	349,121	(424,293)	(17,300)	(17,219)	(34,116)	(355,658)	-
Trade and other payables	114,319	(116,126)	(106,319)	(546)	(1,210)	(4,051)	-
	463,440	**(540,419)**	**(123,619)**	**(17,765)**	**(35,326)**	**(359,709)**	**-**

30 June 2014 $'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	287,553	(374,253)	(14,234)	(14,099)	(28,142)	(317,778)	-
Pre-export finance	14,331	(14,344)	(14,344)	-	-	-	-
Trade and other payables	187,751	(187,751)	(187,751)	-	-	-	-
Trade and other payables – disposal group held for sale	353	(353)	(353)	-	-	-	-
	489,988	(576,701)	(216,682)	(14,099)	(28,142)	(317,778)	-

Market risk
Market risk is the risk that changes in market prices, including foreign exchange rates, commodity price and interest rates 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.

To date, the Group has not adopted hedge accounting.

Commodity price risk
Commodity price risk arises from fluctuations in market prices of iron ore. As part of the contractor collaboration arrangements Atlas has sought to establish strategies that mitigate its exposure to iron ore price volatility in the short-term. The strategy of utilising fixed priced sales contracts, cap/collar positions and option positions is aimed at providing some protection against decreases in the US dollar iron ore price while maintaining some exposure to pricing upside. At 30 June 2015, the Group had approximately 2.4 million WMT subject to these contracts and positions at a range of US$48 to US$62 62% Fe price CFR/DMT China.

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 has no provisionally priced commodity sales contracts in an open position as at 30 June 2015. The Group's exposure at 30 June 2015 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 or loss before tax of a 10% increase in market price

	2015 $'000	2014 $'000
Iron Ore	**-**	13,001

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.

32. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

The Group's policies allow iron ore commodity risk trades (e.g. swaps) with counterparties of credit ratings A – (A minus) which is lower than for foreign exchange trades and short term investments, recognising the nature of the counterparties which regularly participate in the iron ore swap markets.

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 14% (2014: 14%) 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 is one contract outstanding as at 30 June 2015 which has subsequently been settled on 1 July 2015. There were no such contracts outstanding as at 30 June 2014.

Additionally the Group holds US dollar denominated debt and the Group holds a portion of cash in USD 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:

30 June 2015	**Notes**	**AUD $'000**	**USD $'000**	**Total $'000**
Cash and cash equivalents	24(b)	21,323	51,982	73,305
Trade and other receivables	10	20,016	15,965	35,981
Trade and other payables	20	(91,136)	(23,183)	(114,319)
Interest bearing loan	21	-	(349,121)	(349,121)
		(49,797)	**(304,357)**	**(354,154)**

30 June 2014	Notes	AUD $'000	USD $'000	Total $'000
Cash and cash equivalents	24(b)	50,433	213,809	264,242
Cash and cash equivalents – disposal group held for sale	13	331	-	331
Trade and other receivables	10	84,995	34,922	119,917
Trade and other payables	20	(147,948)	(39,803)	(187,751)
Trade and other payables – disposal group held for sale	13	(353)	-	(353)
Interest bearing loan	21	-	(287,553)	(287,553)
Pre-export finance	21	-	(14,331)	(14,331)
		(12,542)	(92,956)	(105,498)

The following exchange rates applied during the financial year:

	Average rate		**Reporting date spot rate**	
	2015	2014	**2015**	2014
US$	**0.8382**	0.9187	**0.7680**	0.9420

32. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Sensitivity analysis
A 5% fluctuation of the Australian dollar against the US dollar at 30 June 2015 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	Profit or (loss)	Equity	Profit or (loss)
	$'000	$'000	$'000	$'000
30 June 2015				
+/-5%	-	14,493	-	(16,019)
	-	**14,493**	-	**(16,019)**
30 June 2014				
+/-5%	-	4,892	-	(4,426)
	-	4,892	-	(4,426)

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 90 days.

The interest rate profile of the Group's interest bearing financial instruments at the reporting date was:

	2015	2014
	$'000	$'000
Fixed rate instruments		
Financial assets	10,466	135,742
Financial liabilities	-	(14,331)
	10,466	121,411
Variable rate instruments		
Financial assets	73,305	160,548
Financial liabilities	(349,121)	(287,553)
	(275,816)	(127,005)

Refer to Note 21 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 loan B, as even if the reasonably possible increase in interest rates occurs the interest rate floor on the Term loan B will not be exceeded. This analysis assumes that all other variables, including foreign exchange rates, remain constant.

	Profit or (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	$'000	$'000	$'000	$'000
30 June 2015				
Variable rate instruments	733	(733)	-	-
	733	**(733)**	**-**	**-**
30 June 2014				
Variable rate instruments	1,605	(1,605)	-	-
	1,605	(1,605)	-	-

The carrying values of financial assets and financial liabilities approximately reflect their fair values.

32. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

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 earnings/(loss). The Board monitors both retained earnings/(loss) in addition to the Group's underlying earnings. Underlying earnings adjust retained earnings/(loss) 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.

The Group's Term Loan B facility has a total asset to secured debt covenant ('asset to debt covenant') of 2:1, which is formally measured every six months on the release of the Group's half year and full year financial reports. The Group was in full compliance with the asset to debt covenant as at 30 June 2015. A breach of the covenant would result in the Term Loan B facility becoming immediately payable.

The asset to debt covenant will vary according to the amount of the Group's total assets, the amount of the USD secured debt and the exchange rate used to convert the debt to Australian dollars. The amount of the Group's total assets is subject to, amongst other things, an on-going assessment of the recoverable amount of the Group's non-current asset values. Refer to Note 3 for further information regarding the value of the Group's non-current assets.

The Group does not purchase its own shares, except where purchased under an employee share plan (refer to Note 4). 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.

33. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership 2015 (%)	Ownership 2014 (%)
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
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	100
Atlas America Finance Inc	United States of America	100	100
Atlas Iron Employee Share Trust	Australia	100	100
PM Gold Asia Pty Ltd (iii)	Australia	-	100
Shaw River Manganese Limited (iv)	Australia	-	53.45
Shaw River Namibia Pty Ltd (iv)	Australia	-	53.45
Shaw River Mauritius (iv)	Mauritius	-	53.45
Otjozondu Holdings (Pty) Ltd (iv)	Namibia	-	53.45
Otjozondu Mining (Pty Ltd) (iv)	Namibia	-	53.45
Shaw River Ghana Pty Ltd (iv)	Australia	-	53.45
Shaw River International Ltd (iv)	British Virgin Islands	-	53.45
Butre Ahanta Exploration Limited (iv)	Ghana	-	40.10
Mt Minnie Mining Company Pty Ltd(iv)	Australia	-	53.45
Twelve Mile Pty Ltd (iv)	Australia	-	53.45
Pickaxe City Pty Ltd(iv)	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.
(iii) PM Gold Asia Pty Ltd was deregistered during the year.
(iv) During the period, the conditions precedent to which Bryve were granted the option to purchase the Group's interest in Shaw River were satisfied, resulting in loss of control. The option was subsequently exercised and settlement has occurred. As at 30 June 2015, Atlas' interest in Shaw River has been reduced to nil. Refer to Note 13 for further details.

Interests in unconsolidated structured entities.
The Group has no interests in unconsolidated structured entities.

34. PARENT COMPANY

As at and throughout the financial year ended 30 June 2015, the Parent entity of the Group was Atlas Iron Limited.

(a) Financial position of parent company at year end

	2015 $'000	2014 $'000
Total current assets	133,772	398,920
Total non-current assets	1,135,210	2,142,236
TOTAL ASSETS	**1,268,982**	2,541,156
Total current liabilities	616,406	591,040
Total non-current liabilities	431,916	339,180
TOTAL LIABILITIES	**1,048,322**	930,220
NET ASSETS	**220,660**	1,610,936
TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:		
Issued capital	1,991,630	1,989,359
Reserves	30,557	27,786
Accumulated loss	(1,801,527)	(406,209)
TOTAL EQUITY	**220,660**	1,610,936
RESULTS OF PARENT ENTITY		
Loss for the year	(1,377,003)	(22,234)
Other comprehensive income for the year	329	112
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,376,674)**	(22,122)

(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 26(d).

(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 26.

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 49 to 98 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 2015 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 2015.

(2) The Directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.

Dated this 13th day of August 2015

David Flanagan
Managing Director
Perth, Western Australia

Auditor's Independence Declaration

KPMG

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 2015 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.

KPMG

R Gambitta
Partner

Perth

13 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

KPMG

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 2015, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 34 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*.

KPMG

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 2015 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).

Emphasis of Matter

Without modifying our opinion expressed above, attention is drawn to the director's assessment of going concern in Note 1(a) of the financial statements. The Company's cash flow forecasts which underpin the going concern basis of preparation of the financial report are based on, and are sensitive to, a number of material and inherently uncertain assumptions in particular future AUD iron ore prices. Depending on the success of future funding alternatives, were the recent volatility experienced in the AUD iron ore price to continue and result in a sustained decline from forecast prices during the period to December 2017, there would be significant uncertainty in the Company's ability to refinance or reschedule the Term Loan B at its maturity and hence its ability to continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth

13 August 2015

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 7 September 2015.

(a) 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 ordinary shares held	% Holding
BGC Contracting Pty Ltd	461,792,518	17.30%
McAleese Limited	278,000,000	10.41%

(b) Ordinary Shares

The total number of shares on issue was 2,669,787,052 held by 30,467 registered shareholders.
A total of 5,549,390 ordinary shares are placed in voluntary escrow until no later than 24 August 2016.

Distribution of Shareholders

Range	Total Holders	Units	% of issued capital
1-1,000	5267	2,820,822	0.11
1,001-5,000	9713	26,826,072	1.00
5,001-10,000	4199	32,427,251	1.21
10,001-100,000	8262	306,053,623	11.46
101,000-and over	3026	2,301,659,284	86.21
Total	**30,467**	**2,669,787,052**	**100.00**

Unmarketable Parcels

The minimum parcel size at $0.029 per unit is 17,242 shares. 21,243 shareholders hold unmarketable parcels.

Twenty Largest Shareholders

	Shareholder Name	Quantity	% of Total Holding
1.	BGC CONTRACTING PTY LTD	461,792,518	17.30
2.	MCALEESE RESOURCES PTY LTD	278,000,000	10.41
3.	CITICORP NOMINEES PTY LIMITED	176,668,185	6.62
4.	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	107,035,014	4.01
5.	MACA MINING PTY LTD	95,836,825	3.59
6.	J P MORGAN NOMINEES AUSTRALIA LIMITED	85,771,084	3.21
7.	NATIONAL NOMINEES LIMITED	58,538,118	2.19
8.	BNP PARIBAS NOMS PTY LTD	21,956,219	0.82
9.	CATERCARE SERVICES PTY LTD	13,265,311	0.50
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,541,000	0.36
11.	VIC INVESTMENTS MANAGEMENT	7,658,750	0.29
12.	MR MALCOLM CLARK ANDERSON	7,627,000	0.29
13.	COMSEC NOMINEES PTY LIMITED	7,535,184	0.28
14.	TIMBERITE BUILDING SUPPLIES PTY LTD	7,000,000	0.26
15.	MRS CHRISTINA XU WYNNE	6,877,200	0.26
16.	LITOVKO HOLDINGS PTY LTD	6,343,000	0.24
17.	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED – A/C 3	6,275,470	0.24
18.	MR STANLEY ALLAN MACDONALD	6,105,816	0.23
19.	DIAMOND ROCK PTY LTD	6,100,000	0.23
20.	MR JOSE MANUEL DO REGO	6,000,000	0.22
	Top 20 Total	**1,375,926,694**	**51.54**

(c) Quoted Options

The total number of listed Options (ASX Code: AGOO) on issue was 1,744,762,043 held by 3,474 holders.

Distribution of Optionholders

Range	Total Holders	Units	% of issued capital
1-1,000	2	1,800	0.00
1,001-5,000	2	4,000	0.00
5,001-10,000	7	61,800	0.00
10,001-100,000	2,595	172,083,730	9.86
101,000-and over	868	1,572,610,713	90.13
Total	**3,474**	**1,744,762,043**	**100.00**

Twenty Largest Optionholders

	Optionholder Name	Quantity	% of Total Holding
1.	BGC CONTRACTING PTY LTD	461,792,518	26.47
2.	MCALEESE RESOURCES PTY LTD	280,000,000	16.05
3.	NATIONAL NOMINEES LIMITED	114,378,498	6.56
4.	MACA MINING PTY LTD	95,836,825	5.49
5.	QUBE BULK PTY LTD	73,627,213	4.22
6.	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	40,620,000	2.33
7.	CITICORP NOMINEES PTY LIMITED	38,100,000	2.18
8.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	35,000,000	2.01
9.	J P MORGAN NOMINEES AUSTRALIA LIMITED	23,600,002	1.35
10.	DR MUSTAPHA SABOUNE	18,500,000	1.06
11.	CATERCARE SERVICES PTY LTD	13,265,311	0.76
12.	JETOSEA PTY LIMITED	13,000,000	0.75
13.	GLOBAL ADVANCED METALS WODGINA PTY LTD	10,000,000	0.57
14.	ZENIX NOMINEES PTY LTD	10,000,000	0.57
15.	VIC INVESTMENTS MANAGEMENT GROUP PTY LTD	7,000,000	0.40
16.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	5,741,421	0.33
17.	MRS CHRISTINA XU WYNNE	4,660,000	0.27
18.	ALLSTATE HOME LOANS PTY LTD	4,000,000	0.23
19.	HENG XING INVESTMENTS PTY LTD	4,000,000	0.23
20.	DR MUSTAPHA SABOUNE	4,000,000	0.23
	Top 20 Total	**1,257,121,788**	**72.05**

(d) Performance Rights and Share Appreciation Rights

The following Performance Rights and Share Appreciation Rights remain under the Atlas Long Term Incentive Plan:

Quantity	Terms
2,193,771	Performance Rights vesting on 30 June 2016 are subject to TSR and EPS hurdles
5,199,712	Share Appreciation Rights vesting on 30 June 2016 are subject to TSR and EPS hurdles

(e) Unlisted Options

There is currently one class of unlisted options on issue being 100,000 vested Options exercisable at $4.20 on or before 31 December 2015.

(f) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attaching to any other class of security.

Corporate Information

Directors

Cheryl Edwardes	NON-EXECUTIVE CHAIRMAN
David Flanagan	MANAGING DIRECTOR
Ken Brinsden	NON-EXECUTIVE DIRECTOR
Jeff Dowling	NON-EXECUTIVE DIRECTOR
Sook Yee Tai	NON-EXECUTIVE DIRECTOR

Group Company Secretaries

Yasmin Broughton	GENERAL COUNSEL & COMPANY SECRETARY
Mark Hancock	CHIEF FINANCIAL OFFICER

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ATLAS

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