



December 2015 Quarterly Report

29 January 2016

Key points

- **Debt restructure agreement signed in December 2015**
- **Shipped 3.6M WMT, up 10% on Sept 2015 Quarter**
- **Average realised price of A\$51/WMT CFR (Sept 2015 Quarter A\$61/WMT CFR)**
- **Full cash costs of A\$54/WMT CFR (Sept 2015 Quarter: A\$58/WMT CFR)**
- **Corunna Downs PFS results released on 23 December 2015**
- **Mt Webber lump production commenced in December 2015**

Atlas Iron Limited (ASX: AGO) ("Atlas") reports on a December 2015 Quarter marked by a significant debt restructure agreement, increased tonnes shipped, volatile iron ore prices and further cost reductions.

Atlas Managing Director David Flanagan said the debt restructuring agreement in the December 2015 Quarter was another important step in making Atlas more sustainable, particularly in volatile iron ore markets.

Full cash costs fell to A\$54/WMT CFR (including all contractor cost clawback and profit share) in the December 2015 Quarter, 9% lower than the September 2015 Quarter (A\$58/WMT CFR). Atlas' average realised sale price for the December 2015 Quarter was A\$51/WMT CFR.

Iron ore markets have remained challenging into January 2016 however, the falling Australian dollar (AUD), low freight prices and further interim cost savings negotiated in December 2015 will assist Atlas in remaining competitive during completion of the debt restructure (following which further cost reductions will flow from lower cash interest costs).

Quarterly - Key Metrics

	Dec 15 Quarter	Sept 15 Quarter	Variance Quarter
Ore tonnes shipped (WMT)	3.6M	3.3M	10%
C1 cash costs (A\$/WMT FOB)	\$36	\$36	-
Full cash cost* (A\$/WMT CFR China)	\$54	\$58	9%
Development Capital (A\$)	\$7M	\$3M	(233)%
Depreciation & Amortisation (A\$/WMT)	\$7	\$7	-
Net AUD Atlas CFR Sale Price (WMT)	\$51	\$61	(16)%

* Please refer to Glossary in this announcement

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Atlas signs Debt Restructure Agreement

On 23 December 2015, Atlas announced that it had signed a Restructuring Support Agreement (“RSA”) with more than 75% of the Term Loan B (“TLB”) lenders and an amendment to its existing Syndicated Facility Agreement (“Amendment”) (collectively called “the Agreements”). Under the Agreements, Atlas will make a pay down of the TLB loan in an aggregate amount of US\$10 million (US\$7.5 of which was paid in the December 2015 quarter) and issue shares and options to the TLB Lenders in exchange for the TLB lenders retiring US\$132 million (approx. A\$183 million) of the TLB debt. On implementation of the financial restructuring contemplated by the Agreements (the “Financial Restructuring”), Atlas will have reduced its term loan debt from US\$267 million to US\$135 million, extended the debt maturity date from December 2017 to ~April 2021 and reduced its cash interest expense by over 65% as result of the lower debt balance and reduced cash interest rate.

The TLB Lenders will be issued shares and options such that, immediately post the restructure, they will hold 70% of the Company’s shares and options on issue. The issue of these shares and options will be subject to shareholder approval. A notice of meeting for the general meeting of shareholders is expected to be sent to shareholders in the first quarter of 2016.

The existing Syndicated Facility Agreement was amended to include a covenant that cash is not to fall below A\$55 million on any day (less any principal and interest paid on or after 25 March 2016) during the implementation of the RSA (“Interim Covenant”). Under the Agreements, the Asset Coverage Ratio test in the existing Syndicated Facility Agreement for 31 December 2015 has been postponed until the earlier of 30 April 2016 or ~ 45 days from termination of RSA if and only if, the Asset Coverage Ratio test was not met on 31 December 2015 and the RSA does not successfully conclude. Atlas expects to issue its 31 December Financial Statements, which will form the basis of the final covenant calculation, in the second half of February 2016.

Timing

The parties to the Agreements will seek to get unanimous support of the TLB lenders for the Agreements and Financial Restructuring. At the date of this report, TLB lenders holding greater than 80% by value and greater than 90% by number have signed up in support of the deal. Should this unanimous support for the Agreements and Financial Restructuring be forthcoming, Atlas will immediately move to calling a general meeting of shareholders to approve the issue of the share and option consideration to approximately 82 registered TLB lenders.

If unanimous support of TLB lenders is not achieved, the Financial Restructuring will be implemented via a Creditors Scheme of Arrangement. This would result in the holding of a TLB lenders creditors meeting late in first quarter of 2016 and the implementation of the Financial Restructuring early in the second quarter of 2016. Should a Creditors Scheme be required, Atlas will hold a shareholder meeting to approve the issue of shares and options before the Creditors Scheme.

Operations

Table 1 - Production	Dec 15 Quarter (WMT)	Sep 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined	3,500,548	3,724,759	(224,211)	(6%)
Ore Processed	3,465,094	3,438,337	26,757	1%
Haulage to Port	3,656,793	3,255,199	401,594	12%



Table 2 – Inventory and Shipping	Dec 15 Quarter (WMT)	Sep 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stock at site	300,141	491,373	(191,232)	(39%)
Final Product Stocks – Port	132,952	86,778	46,174	53%
Shipping				
Ore Shipped (Wet)	3,610,735	3,272,918	337,817	10%
Ore Shipped (Dry)	3,396,625	3,090,961	305,664	10%

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

Atlas shipped 3.6M WMT for the December 2015 Quarter; 3.0M WMT of Standard Fines and 0.6M WMT of Atlas Lump.

Marketing

The benchmark Platts 62% Fe IODEX averaged US\$47/DMT in the December 2015 Quarter compared with US\$55/DMT in the September 2015 Quarter. This fall resulted in significant intra-period provisional pricing adjustments, in November and December 2016, where prices fell by some US\$6 / month from October and November 2016 respectively. The impact of these significant falls were mitigated by Atlas' active hedging program and were partially offset by a fall in the AUD:USD exchange rate in the December 2015 Quarter, averaging US72.0c compared with US72.6c in the September 2015 Quarter.¹

At the date of this report, Atlas had approximately 1.2M WMT of March 16 Quarter sales subject to some form of forward price fixing via the use of forward sales, swaps, collars or puts at average 62% Fe DMT equivalent price of US\$48.

Mt Webber Lump

Atlas has completed the work needed to deliver a Lump product from its Mt Webber mining operation. The plant modifications, which are expected to deliver 2.8 - 3.0Mtpa of higher value Lump product at a reduced operating cost, were completed in December 2015. The combined effect of a reduction in costs and potentially increased revenues from a Lump product is expected to result in improved margins from Mt Webber. The total cost of the modifications was ~ A\$6.5M.

Results of Corunna Downs PFS

On 23 December 2015, Atlas announced the results of the Corunna Downs Project pre-feasibility study (PFS). The Corunna Downs Project (above water table) has the potential to deliver 4 Mtpa of Lump and Fines Direct Shipping Ore (DSO) over an initial mine life of 5 - 6 years. Subject to iron ore market conditions, there are upside opportunities to extend the mine life by exploiting the below water table resources.

Initial capital expenditure estimates of \$35M - \$40M and C1 costs of \$37 - \$42/wmt are demonstrated under the PFS, suggesting that the Corunna Downs Project has economic potential.

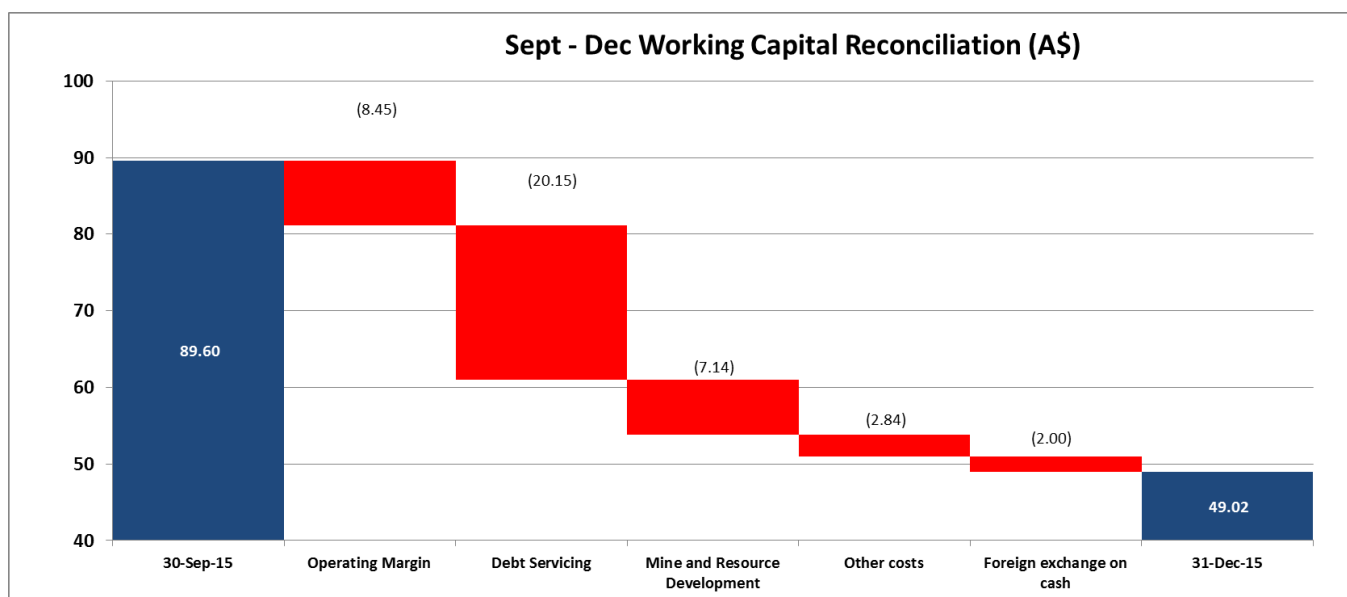
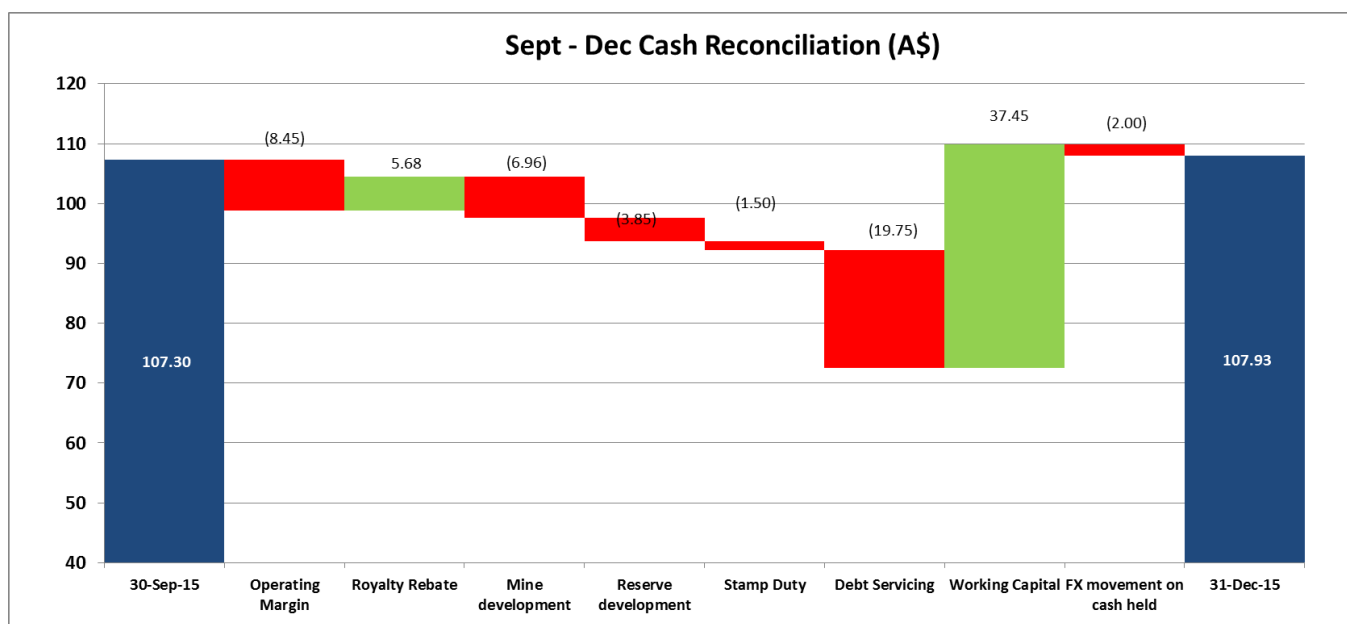
¹ Average FX rates quoted are simple averages of the three monthly average FX rates as published by RBA.



The current Mineral Resource of Corunna Downs is 65.4Mt @ 57.2% Fe. Following completion of the PFS, a maiden Ore Reserve at Corunna Downs has been estimated at 21.1Mt @ 57.0% Fe. Full details about these Mineral Resource and Ore Reserve estimates, including the assumptions, material modifying factors underlying these estimates and competent persons' statements are set out in the 23 December 2015 announcement.

Financial Position Summary

Cash as at 31 December 2015 was largely unchanged at A\$108M (30 Sept 2015: A\$107M). This was higher than the guidance provided pre-period end as a temporary return to normalised payment terms was agreed with key creditors for the month which lead to higher cash but did not increase working capital as illustrated in the waterfall charts below.





Corporate

Shareholders approved all resolutions at the 2015 Annual General Meeting in October 2015.

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Company Secretary

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Notes:

1. See ASX Announcement dated 23 December 2015 entitled "Corunna Downs PFS Results" for Competent Persons' Statements and Appendix 1 for JORC Code information and Table 1 assessment and report criteria relating to the Corunna Downs Project
2. All costs in this announcement are quoted in Australian dollars (A\$) unless otherwise stated.
3. The cost estimates in ASX Announcement dated 23 December 2015 entitled "Corunna Downs PFS Results" are deemed suitable for a PFS-level estimate at $\pm 25\%$ accuracy, but are indicative only and should be considered accordingly.

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Glossary

Full cash costs includes C1 Cash Costs, royalties, freight, corporate and administration, exploration and evaluation, interest expense, contractor profit share and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring costs, suspension and ramp up costs of operating mine sites, and other non-cash expenses. C1 Cash Costs are inclusive of contractors and Atlas' costs including Contractor Rate Uplift. Full cash costs are derived from unaudited management accounts.

WMT means Wet Metric Tonnes. All tonnes referred to in this document are Wet Metric Tonnes unless otherwise stated.



Corporate Profile

Directors

The Hon. Cheryl Edwardes	Non-Executive Chairman
David Flanagan	Managing Director
Ken Brinsden	Non-Executive Director
Jeff Dowling	Non-Executive Director

Company Secretary

Tony Walsh	Company Secretary and Head of Corporate
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Executive Management

Mark Hancock	Chief Financial Officer
Jeremy Sinclair	Chief Operating Officer

Registered Office and Head Office

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Appendix 1: Mine Production by Location and Inventory

Table A – Mine Production Wodgina

	Dec 15 Quarter (t)	Sep 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	1,529,265	1,624,650	(95,385)	(6%)
Ore Processed	1,498,236	1,648,396	(150,160)	(10%)
Haulage to Port	1,485,770	1,729,768	(243,998)	(14%)

Table B – Mine Production Abydos

	Dec 15 Quarter (t)	Sep 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	829,372	1,127,917	(298,545)	(26%)
Ore Processed	821,987	924,388	(102,401)	(11%)
Haulage to Port	844,177	911,765	(67,588)	(7%)

Table C – Mine Production Mt Webber

	Dec 15 Quarter (t)	Sep 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	1,141,910	972,192	169,718	17%
Ore Processed	1,144,871	865,553	279,318	32%
Haulage to Port	1,326,846	613,666	713,180	116%

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

Table D – Inventory

	Dec 15 Quarter (t)	Sep 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	698,350	659,201	39,149	6%
Final Product Stock at site	300,141	491,373	(191,232)	(39%)
Final Product Stocks - Port	132,952	86,778	46,174	53%

Note: All percentages in Appendix 1 are rounded