



## March 2016 Quarterly Report

21 April 2016

### Highlights

- **Record quarter with 3.9 WMT shipped, up 7% on Dec 2015 Quarter**
- **Average realised price of A\$53/WMT CFR (Dec 2015 Quarter A\$51/WMT CFR)**
- **Full cash costs of A\$49/WMT CFR (Dec 2015 Quarter: A\$54/WMT CFR)**
- **Debt restructure on target for completion, subject to lender and shareholder approval on 22 and 27 April 2016, and court approval on 28 April 2016**

Atlas Iron Limited (ASX: AGO) is pleased to report on the March 2016 Quarter.

Atlas Managing Director David Flanagan said: “The March Quarter’s record performance provides further evidence of how Atlas and its shareholders stand to enjoy a brighter future following the successful execution of the planned corporate restructure.

“Atlas’ strategy to reduce costs in co-operation with its contractors and staff continues to deliver strong results. Full cash costs\* fell to \$49/WMT CFR in the March 2016 Quarter. This compares with A\$54 a tonne in the December 2015 Quarter and A\$66 a tonne in the December quarter of 2014.

“Atlas stands to save another A\$20 million a year in cash interest expenses as a result of the debt restructure and we continue to identify opportunities to reduce operating expenses. By roughly halving our debt and amending our banking covenants, the restructure will also strengthen our balance sheet significantly, giving the Company far greater certainty and resilience. As a result, Atlas will be better placed to endure future iron ore industry volatility and to capitalise on further gains in the iron price.”

Iron ore markets during the March 2016 Quarter have shown continued volatility with a maximum price swing of 20% in one day. The average AUD : USD exchange rate remained relatively unchanged over the quarter (March 2016: 0.7215, December 2015: 0.7204) albeit the currency rose considerably late in the March 2016 Quarter. The Company has continued to benefit from lower freight prices during the March 2016 Quarter.

## Quarterly - Key Metrics

	Mar 16 Quarter	Dec 15 Quarter	Variance Quarter
Ore tonnes shipped (WMT)	3.9M	3.6M	7%
C1 cash costs (A\$/WMT FOB)	\$33	\$36	(8)%-
Full cash cost* (A\$/WMT CFR China)	\$49	\$54	(9)%
Development Capital (A\$)	-	\$7M	(100)%
Depreciation & Amortisation (A\$/WMT)	\$6	\$7	(14)%
Net AUD Atlas CFR Sale Price (WMT)	\$53	\$51	4%

\* Please refer to Glossary in this announcement

**Note:** All costs in this announcement are quoted in Australian dollars unless otherwise stated.

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## Debt Restructure

On 23 December 2015, Atlas announced it had entered into a Restructuring Support Agreement (as subsequently amended) (RSA) with some of the lenders to its US dollar dominated Term Loan B (TLB) Syndicated Facility Agreement (SFA), (Lenders) and agreed an interim amendment to the SFA (the Agreements). The Agreements are aimed at achieving a Financial Restructuring of Atlas.

As mentioned in Atlas' half year report for the period ended 31 December 2015 and as described in Atlas' notice of shareholders' meeting sent to shareholders on 24 March 2016 (Notice of Meeting), the Financial Restructuring will be implemented by way of a creditors' scheme of arrangement under the Corporations Act 2001 (Cth) (Creditors' Scheme). If the Financial Restructuring is implemented the following key outcomes will result:

- Atlas will have reduced its term loan debt from US\$267M to US\$135M and extended the maturity date from December 2017 to ~April 2021;
- Atlas will have reduced its annual cash interest expense by over 65% as result of the lower debt balance and reduced cash interest rate;
- Atlas will repay a further amount of US\$2.5M of the debt owing under the SFA (having already paid down an initial amount of US\$7.5M late in the December 2015 quarter);
- Atlas will issue fully paid ordinary shares (New Shares) and options to acquire fully paid ordinary shares in Atlas (New Options) to the Lenders such that, once the New Shares and New Options have been issued, the ~71 Lenders will hold 70% of all Atlas shares and options then on issue; and
- The parties will enter into an amended SFA where the six monthly Asset Coverage Ratio covenant will be replaced with a minimum cash balance covenant requiring Atlas to have a minimum of \$35 million at the end of each month.

On 1 April 2016, the Federal Court of Australia made orders for the convening of a meeting of the Lenders on 22 April 2016 to consider and, if thought fit, approve the Creditors' Scheme and orders approving the distribution to the Lenders of an explanatory statement in connection with the Creditors' Scheme (the Explanatory Statement).

The Notice of Meeting and the Explanatory Statement as well as certain annexures including PPB Advisory's independent expert report were released to the market via ASX on 24 March 2016 and 5 April 2016 respectively and are available on Atlas' website: [www.atlasiron.com.au](http://www.atlasiron.com.au).

### Indicative Timing

Set out below is the current indicative timetable.

Event	Date
Creditors' Scheme Meeting – seeking approval from creditors	22 April 2016
Shareholders' Meeting	27 April 2016
Hearing of application to Court for order approving the Creditors' Scheme	28 April 2016

The dates in the above timetable remain indicative only and subject to change.



## Operations

Table 1 - Production	Mar 16 Quarter (WMT)	Dec 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined	3,828,300	3,500,548	327,752	9%
Ore Processed	3,686,228	3,465,094	221,134	6%
Haulage to Port	3,799,484	3,656,793	142,691	4%

Table 2 – Inventory and Shipping	Mar 16 Quarter (WMT)	Dec 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stock at site	194,015	300,141	(106,126)	(35%)
Final Product Stocks – Port	72,588	132,952	(60,364)	(45%)
<b>Shipping</b>				
Ore Shipped (Wet)	3,859,848	3,610,735	249,113	7%
Ore Shipped (Dry)	3,638,745	3,396,625	242,120	7%

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

Atlas shipped 3.9M WMT for the March 2016 Quarter; 2.7M WMT of Standard Fines and 1.2M WMT of Atlas Lump.

## Marketing

The benchmark Platts 62% Fe IODEX averaged US\$48/DMT in the March 2016 Quarter compared with US\$47/DMT in the December 2015 Quarter. Atlas achieved an average price of US\$40.64 / DMT which was negatively impacted by a number of fixed price sales and hedge arrangements (which were adversely impacted by a rising AUD) that capped the participation of the Company in the strong price rally which occurred in March 2016.

Prices received in January and February 2016 were positively impacted by hedge positions and these positions assisted the Company manage minimum cash levels in the December 2015 Quarter and the early period of the March 2016 Quarter by providing greater certainty over outcomes in a low pricing environment.

At the date of this report, Atlas had approximately 2.5M WMT of June 2016 Quarter sales subject to some form of forward price fixing via the use of forward sales, swaps, collars or puts. This includes some 0.9M WMT of fixed price sales or swaps at an average 62% Fe DMT fines equivalent price of US\$52/t and collars comprising 1.6MT of puts with an average 62% Fe DMT fines equivalent of US\$47/t and 1.2Mt of calls with an average 62% Fe DMT fines equivalent price of US\$54/t.

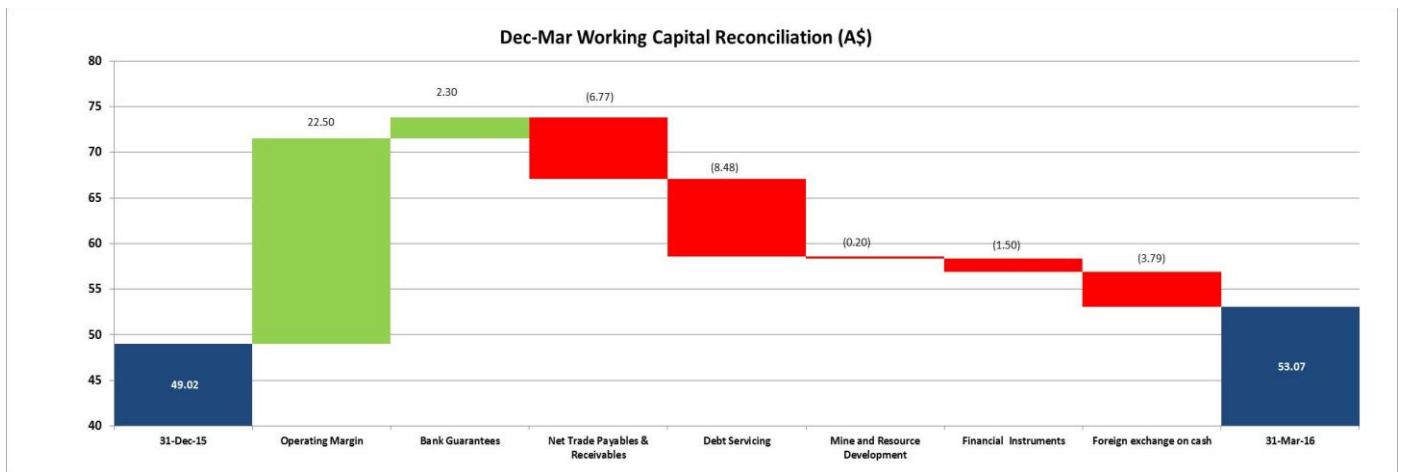
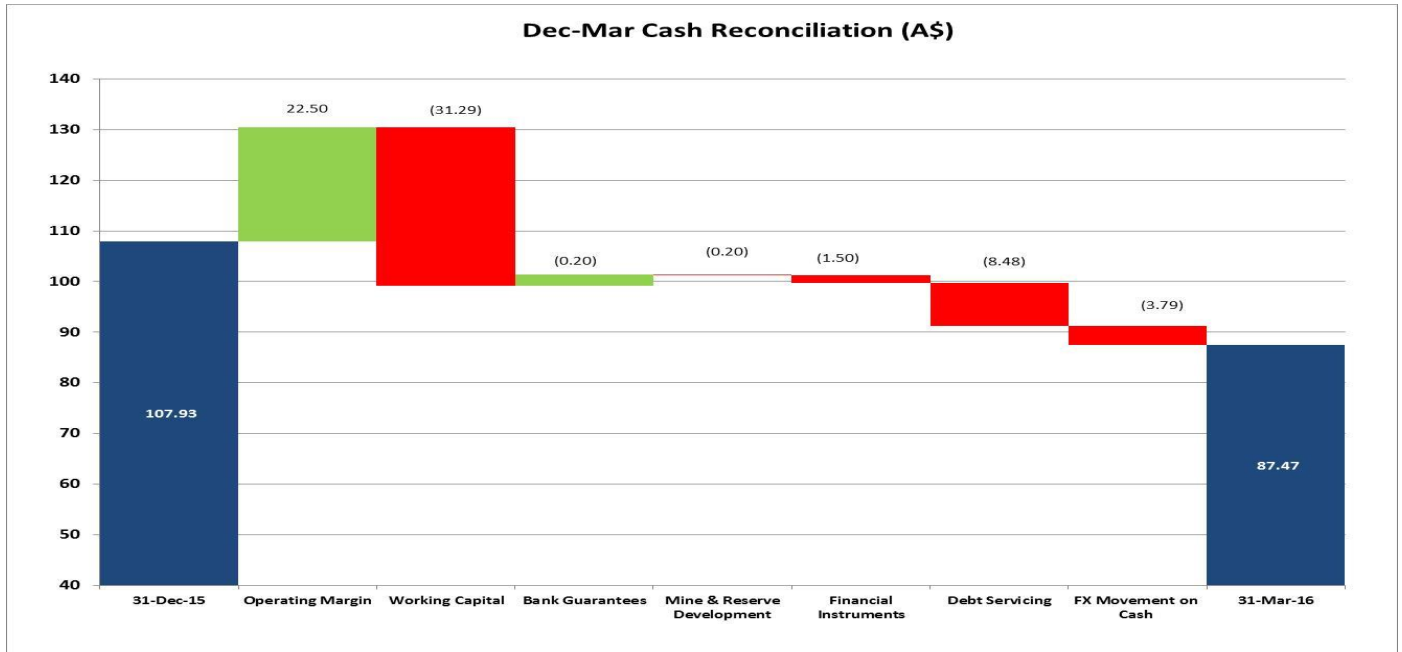
In addition to the tonnes subject to price fixing described above, the improved iron ore market has enabled the Company to sell three fixed price cargoes of its lower grade “value fines” product for delivery in the June 2016 Quarter. This product is accessed from existing stockpiles and, as a result, has a reduced operating cost which largely compensates for its lower sale price to deliver positive margin.



## Financial Position Summary

Cash as at 31 March 2016 was \$87M (31 December 2015: \$108M). This was primarily due to the timing of payments to key suppliers, with end of quarter trade payables balance down \$31M from 31 December 2015.

Working Capital as at 31 March 2016 was \$53M, an increase of \$4M from the prior quarter end (\$49M at 31 December 2015).



## Corporate

On 24 March 2016, a Notice of Meeting was sent to Shareholders for a General Meeting convened to approve a resolution on the debt restructuring outlined in the Notice of Meeting and summarised in this report. The meeting is at 9am WST on 27 April 2016 at the Mantra on Murray, Murray Street, Perth.



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## Notes:

1. All costs in this announcement are quoted in Australian dollars unless otherwise stated.

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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

Level 18, 300 Murray Street, Perth WA 6000

Website: [www.atlasiron.com.au](http://www.atlasiron.com.au)

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## Appendix 1: Mine Production by Location and Inventory

**Table A – Mine Production Wodgina**

	Mar 16 Quarter (WMT)	Dec 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,550,433	1,529,265	21,168	1%
Ore Processed	1,530,612	1,498,236	32,376	2%
Haulage to Port	1,537,897	1,485,770	52,127	4%

**Table B – Mine Production Abydos**

	Mar 16 Quarter (WMT)	Dec 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	853,372	829,372	24,000	3%
Ore Processed	819,911	821,987	(5,076)	(1%)
Haulage to Port	861,586	844,177	17,409	2%

**Table C – Mine Production Mt Webber**

	Mar 16 Quarter (WMT)	Dec 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,424,495	1,141,910	282,585	25%
Ore Processed	1,338,705	1,144,871	193,834	17%
Haulage to Port	1,400,001	1,326,846	73,155	6%

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

**Table D – Inventory**

	Mar 16 Quarter (WMT)	Dec 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	840,422	698,350	142,072	20%
Final Product Stock at site	194,015	300,141	(106,126)	(35%)
Final Product Stocks - Port	72,588	132,952	(60,364)	(45%)

Note: All percentages in Appendix 1 are rounded