

**Highlights**

- **A\$30M generated from operations after interest and contractor profit share**
- **3.7M WMT shipped (March 2016 Quarter 3.9M WMT)**
- **Average realised price of A\$57/WMT CFR (March 2016 Quarter A\$53/WMT CFR)**
- **Full cash costs\* of A\$49/WMT CFR (March 2016 Quarter: A\$49/WMT CFR)**
- **Net Debt reduced to A\$109M at 30 June 16 (A\$257M at 31 March 16) following successful debt restructure**
- **Utah Port Charges reduction extended to 30 June 2017**
- **Identified lithium prospects on Atlas tenements**
- **Cash on hand at 30 June 2016 A\$81M (31 March 2016: A\$88M)**

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

Atlas Managing Director David Flanagan said: “The June Quarter’s excellent performance and completion of the debt restructure puts Atlas on a sound footing for the future.

“The business has achieved significant cost and debt reductions over a number of months and this is now leading to strong operating margins. We generated A\$30M from our operations over the Quarter after interest payments and our contractor profit sharing obligations. It’s now about consolidating that improved performance and delivering value for shareholders.”

**Quarterly - Key Metrics**

	<b>June16 Quarter</b>	<b>Mar 16 Quarter</b>	<b>Variance Quarter</b>
Ore tonnes shipped (WMT)	3.7M	3.9M	(3%)
C1 cash costs (A\$/WMT FOB)	\$33	\$33	--
Full cash cost* (A\$/WMT CFR China)	\$49	\$49	-
Development Capital (A\$)	-	-	-
Depreciation & Amortisation (A\$/WMT)	\$4	\$6	33%
Net AUD Atlas CFR Sale Price (A\$/WMT)	\$57	\$53	7%

\* Please refer to Glossary in this announcement

**Note:** All costs in this table are unaudited and are quoted in Australian dollars unless otherwise stated.

## FY 2016 Performance - Key Metrics

	FY2016 Actual	FY2016 Guidance	Variance
Ore tonnes shipped (WMT)	14.5M	14-15M	within guidance
C1 cash costs (A\$/WMT FOB)	\$34.39	\$35 - \$38	2%**
Full cash cost* (A\$/WMT CFR China)	\$52.60	\$55 - \$58	4%**
Development Capital (A\$)	\$9.5M	\$10M - \$15M	5%**
Depreciation & Amortisation (A\$/WMT)	\$5.9	\$6 - \$7	2%**

\* Please refer to Glossary in this announcement (includes contractor margin share)

\*\* Variance calculated from lower end of FY2016 Guidance

**Note:** All costs in this table are unaudited and are quoted in Australian dollars unless otherwise stated.

## Debt Restructure

On 6 May 2016, Atlas completed the debt restructuring announced in December 2015 (see ASX release dated 6 May 2016 for further details). This debt restructure has resulted in the following:

- Atlas has reduced its term loan debt from US\$267M to US\$135M and extended the maturity date from December 2017 to ~April 2021;
- Atlas has reduced its annual cash interest expense by ~65% as a result of the lower debt balance and reduced cash interest rate;
- Atlas has issued 6.22 billion fully paid ordinary shares and 4.51 billion options to acquire fully paid ordinary shares in Atlas to the Term Loan Lenders (Lenders) such that the Lenders held 70% of all Atlas shares and options on issue at 6 May 2016; and
- The Lenders and Atlas have entered into an amended Term Loan Agreement where the six monthly Asset Coverage Ratio covenant has been replaced with a minimum cash balance covenant requiring Atlas to have a minimum of A\$35 million at the end of each month.
- Mr Eugene I Davis, Mr Alan J Carr and Mr Daniel Harris (the New Directors) have been appointed as Directors of the Company and Mr Ken Brinsden and Mr Jeff Dowling resigned as Directors.

## Operations

Table 1 - Production	June 16 Quarter (WMT)	Mar 16 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined*	3,636,530	3,828,300	(191,770)	(5%)
Ore Processed	3,898,937	3,686,228	212,709	6%
Haulage to Port	3,817,371	3,799,484	17,887	0%

\* - Includes intra-mine tonnes



Table 2 – Inventory and Shipping	June 16 Quarter (WMT)	Mar 16 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stock at site	327,862	194,015	133,847	69%
Final Product Stocks – Port	148,678	72,588	76,090	105%
<b>Shipping</b>				
Ore Shipped (Wet)	3,741,281	3,859,848	(118,567)	(3%)
Ore Shipped (Dry)	3,510,354	3,638,745	(128,391)	(3%)

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

Atlas shipped 3.7M WMT for the June 2016 Quarter; 2.3M WMT of Standard Fines, 0.3M WMT of Value Fines and 1.1M WMT of Atlas Lump.

Shipped tonnes were slightly lower than the prior Quarter due to an unplanned six day port outload shut in June 2016 when the Utah Point ship loader was damaged while loading another proponent's vessel. This resulted in higher levels of finished product inventory at Quarter end and delayed receipt of some sale proceeds to July 2016 due to a greater number of ships loading later in June 2016 than originally scheduled.

## Marketing

The benchmark Platts 62% Fe IODEX averaged US\$56/DMT in the June 2016 Quarter compared with US\$48/DMT in the March 2016 Quarter. Atlas achieved an average price of US\$45/DMT, which was inclusive of three cargos of lower grade Value Fines product and increased discounts for products of Atlas' grade over the June 2016 Quarter.

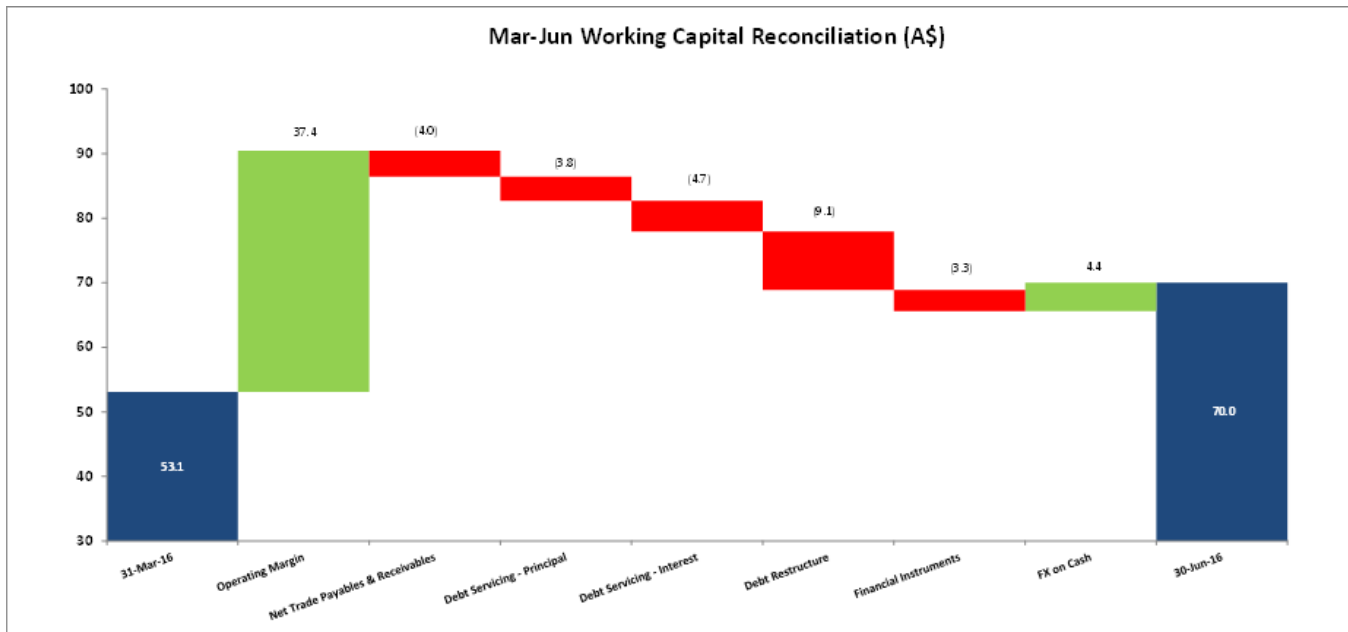
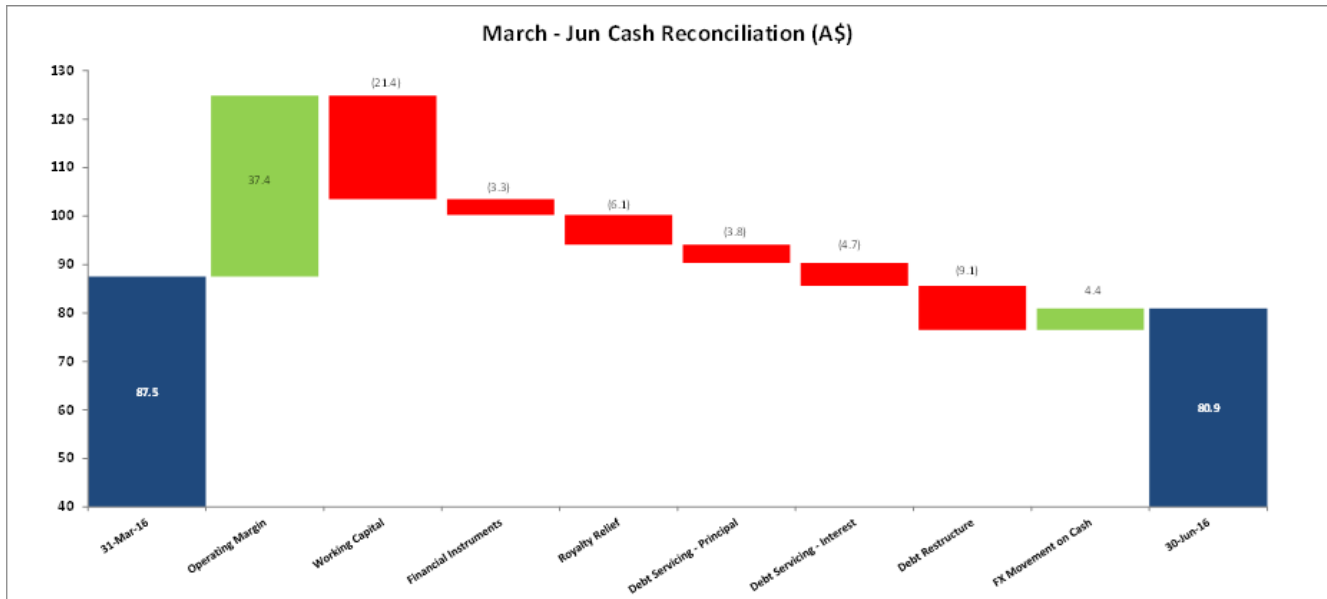
The average AUD:USD exchange rate strengthened over the Quarter (June 2016: 0.7455, March 2016: 0.7215) which negatively impacted on the received AUD sale prices in the June 2016 Quarter.

At the date of this report, Atlas had approximately 3.4M WMT of December 2016 Half sales subject to some form of forward price fixing via the use of forward sales, swaps, collars. This includes some 1.1M WMT of fixed price sales or swaps at an approximate average 62% Fe DMT equivalent price of US\$52/t and collars comprising 2.3MT of puts with an average 62% Fe DMT equivalent of US\$47/t and 1.9Mt of calls with an average 62% Fe DMT equivalent price of US\$55/t. Approximately one third of puts have price protection limited to approximately US\$40/t levels at 62% Fe DMT equivalent levels.

## Financial Position Summary

Cash as at 30 June 2016 was A\$81M (31 March 2016: A\$88M) with the reduction driven by payment of one off restructuring costs, debt and royalty assistance repayments and other working capital movements offsetting cash generated from operations.

Working Capital as at 30 June 2016 was A\$70M, an increase of A\$17M from the prior Quarter end (A\$53M at 31 March 2016) reflecting the improved operating performance during the June 2016 Quarter. The majority of key contractors and service providers continue to be paid in month of service.



## Corporate

On 28 June 2016, the Company advised the market that David Flanagan had resigned as Managing Director. David Flanagan will finish as Managing Director of the Company on 5 August 2016.

Atlas Non-Executive Director, Mr Daniel C Harris, has been appointed as interim Managing Director (MD) and Chief Executive Officer (CEO) and will continue in this role until a permanent replacement MD and CEO is appointed and commences employment with the Company. Thereafter, Mr Harris will revert to being a Non-Executive Director of the Company. Information about Mr Harris and the material terms of his employment while acting as interim MD and CEO are set out in Appendix 2 to this announcement



Atlas welcomed the announcement by the WA Government on 28 June 2016 on the extension of reduced port charges. The reduced port charges announced by the WA Government in 2015 have been extended for a further 12 months to 30 June 2017. Junior iron ore miners, including Atlas, that are exporting through the Utah Point port facility in Port Hedland will continue to receive a A\$2.50 per tonne discount from Stockyard 1 and a A\$1.73 per tonne discount from Stockyard 2 until 30 June 2017.

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#### **Notes:**

- 1. All costs in this announcement are quoted in Australian dollars unless otherwise stated.*
- 2. All costs in this announcement are unaudited*
- 3. Net Debt in this announcement is Debt less cash & cash equivalents, listed shares and derivatives*

#### **Important Notice**

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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

Eugene I Davis	Non-Executive Chairman
David Flanagan	Managing Director
Hon. Cheryl Edwardes OM	Non-Executive Director
Alan Carr	Non-Executive Director
Daniel Harris	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)

Twitter: @Atlas\_Iron





## Appendix 1: Mine Production by Location and Inventory

**Table A – Mine Production Wodgina**

	June 16 Quarter (WMT)	Mar 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,470,442	1,550,433	(79,991)	(5%)
Ore Processed	1,484,023	1,530,612	(46,589)	(3%)
Haulage to Port	1,470,489	1,537,897	(67,408)	(4%)

**Table B – Mine Production Abydos**

	June 16 Quarter (WMT)	Mar 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	820,949	853,372	(32,423)	(4%)
Ore Processed	860,730	816,911	43,819	5%
Haulage to Port	816,712	861,586	(44,874)	(5%)

**Table C – Mine Production Mt Webber**

	June 16 Quarter (WMT)	Mar 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,345,139	1,424,495	(79,356)	(6%)
Ore Processed	1,554,184	1,338,705	215,479	16%
Haulage to Port	1,530,170	1,400,001	130,169	9%

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

**Table D – Inventory**

	June 16 Quarter (WMT)	Mar 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	588,016	840,422	(252,406)	(30%)
Final Product Stock at site	327,862	194,015	133,847	69%
Final Product Stocks - Port	148,678	72,588	76,090	105%

Note: All percentages in Appendix 1 are rounded



## Appendix 2

### Information about Daniel C Harris.

<b>Details</b>	
Mr Daniel C Harris	<p>Mr Harris brings a wealth of mining and resources industry experience to Atlas from a career spanning more than 35 years, having worked most recently as Chief Executive Officer and Chief Operating Officer of Atlantic Ltd in Perth, Australia. Prior to joining Atlantic, LTD Mr Harris worked for Evraz in Moscow as Vice President, Vanadium Assets, managing the world's largest vanadium business. Mr Harris also worked for Strategic Minerals Corporation's (formerly Union Carbide) in numerous positions ultimately serving as COO and CEO. Mr Harris is currently a Non-Executive Director and an independent technical and executive consultant to GSA Environmental Limited in the United Kingdom.</p> <p>Mr Harris holds a Bachelor of Science, Chemical Engineering from the University of Nevada, USA and is a graduate of the Executive Development Program at the Kellogg School of Management at Northwestern University, USA.</p>

### Material Terms of Mr Daniel C Harris' Employment as interim CEO

<b>Details</b>	
<b>Salary</b>	A\$66,667 per month (inclusive of salary and directors fees, excluding statutory superannuation).
<b>Notice</b>	The Company needs to provide 30 days notice of termination to Mr Harris. Mr Harris needs to provide 60 days notice of termination to the Company.
<b>Termination Benefits</b>	None. Mr Harris will revert to being a Non-Executive Director on termination.
<b>Other Benefits</b>	Reasonable housing costs, use of a motor vehicle, airfares and any reasonable out-of-pocket expenses during his employment.
<b>Term</b>	Initially three months and thereafter subject to notice period referred to above.