



## September 2016 Quarterly Report

19 October 2016

### Highlights

- **A\$24M generated from operations after interest and contractor profit share**
- **4.1M WMT shipped (June 2016 Quarter 3.7M WMT)**
- **Average realised price of A\$56/WMT CFR (June 2016 Quarter A\$57/WMT CFR)**
- **Full cash costs\* of A\$50/WMT CFR (June 2016 Quarter: A\$49/WMT CFR)**
- **Net Debt reduced to A\$89M at 30 September 2016 (A\$109M at 30 June 2016) following increase in cash and favourable foreign exchange movements**
- **Cash on hand at 30 September 2016 A\$95M (30 June 2016: A\$81M)**
- **A\$15M of debt will be repaid in October 2016 via term loan cash sweep mechanism**

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

Atlas Managing Director, Daniel Harris said the September 2016 Quarter results provided further evidence of the Company's turnaround on both the operational and financial fronts.

"These results continue to demonstrate that Atlas is maintaining its tight control on costs while generating strong production volumes," Mr Harris said. "This combination is enabling Atlas to take advantage of solid iron ore prices, as shown by our margins and our overall free cash flow generation."

"This in turn means we will repay A\$15 million in debt in October 2016 which will further strengthen our balance sheet," Mr Harris added. "Net debt at 30 September 2016 was under A\$90M, a significant improvement from the levels prior to the restructure, which stood at A\$257M at 31 March 2016."

"We are increasingly confident that Atlas has a bright future marked by strong cash flows and reducing debt levels," Mr Harris said.

## Quarterly - Key Metrics

	September 16 Quarter	June 16 Quarter	Variance Quarter
Ore tonnes shipped (WMT)	4.1M	3.7M	8%
C1 cash costs (A\$/WMT FOB)	\$34	\$33	(3%)
Full cash cost* (A\$/WMT CFR China)	\$50	\$49	(2%)
Depreciation & Amortisation (A\$/WMT)	\$5	\$4	(20%)
Net Atlas CFR Sale Price (A\$/WMT)	\$56	\$57	(2%)
Development Capital (A\$M)	\$1.3	-	-

\* Please refer to Glossary in this announcement

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

### Atlas Iron Limited

ABN 63 110 396 168

Raine Square, Level 18  
300 Murray Street Perth WA 6000

PO Box 7071  
Cloisters Square Perth WA 6850

**T/** +61 (0) 8 6228 8000  
**F/** +61 (0) 8 6228 8999

**E/** atlas@atlasiron.com.au  
**W/** atlasiron.com.au

## Operations

Table 1 - Production	September 16 Quarter (WMT)	June 16 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined*	3,792,573	3,636,530	156,043	4%
Ore Processed	3,934,872	3,898,937	35,935	1%
Haulage to Port	3,994,798	3,817,371	177,427	5%

\*- Includes intra-mine tonnes

Table 2 – Inventory and Shipping	September 16 Quarter (WMT)	June 16 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stock at site	299,330	327,862	(28,532)	(9%)
Final Product Stocks – Port	91,727	148,678	(56,951)	(38%)
<b>Shipping</b>				
Ore Shipped (Wet)	4,051,749	3,741,281	310,468	8%
Ore Shipped (Dry)	3,822,956	3,510,354	312,602	9%

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

Atlas shipped 4.1M WMT for the September 2016 Quarter; 2.3M WMT of Standard Fines, 0.4M WMT of Value Fines and 1.4M WMT of Atlas Lump.

Shipped tonnes were higher than the June 2016 Quarter due to a significantly higher contribution from Mt Webber (371kt), which lead to a slight increase in C1 costs due to the additional distance of that mine from the port. Freight costs have increased on the back of higher fuel prices and strong demand for seaborne coal, which combined with the increase in C1 costs resulted in a minor increase in Full Cash Costs.

## Marketing

The benchmark Platts 62% Fe IODEX averaged US\$58.55/DMT in the September 2016 Quarter compared with US\$55.71/DMT in the June 2016 Quarter. Atlas achieved an average price of US\$45/DMT (June 16 Quarter US\$45/DMT), which was inclusive of 3.5 cargos of lower grade Value Fines product and increased discounts for products of Atlas' grade over the September 2016 Quarter.

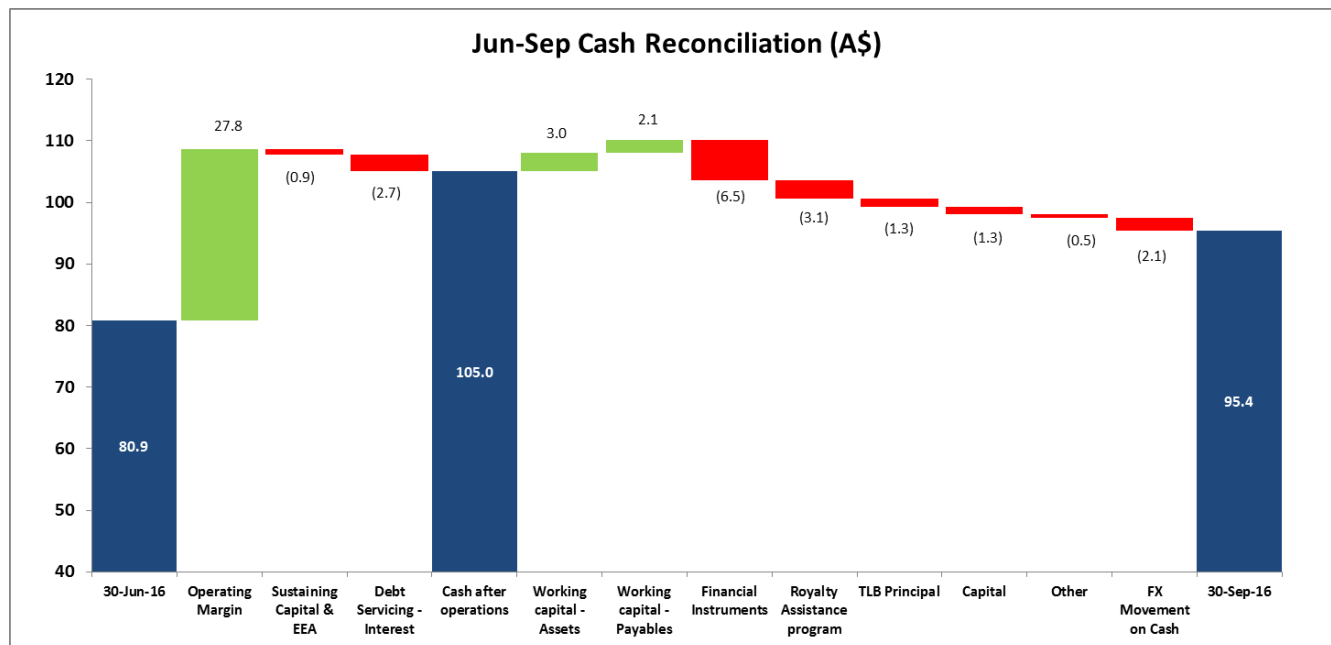
Increased discounts resulted from a significant increase in coal price over recent months, with steel mills preferring higher grade ores, which require less coal in the steelmaking process, when coal prices are elevated.

The average AUD:USD exchange rate strengthened over the Quarter (September 2016: 0.758, June 2016: 0.746) which negatively impacted on the received AUD sale prices in the September 2016 Quarter.

At the date of this report, Atlas had approximately 1.7M WMT of December 2016 Quarter sales subject to some form of forward price fixing via the use of forward sales, swaps and collars. This includes some 0.2M WMT of fixed price sales or swaps at an approximate average 62% Fe DMT equivalent price of US\$50/t and collars comprising 1.5Mt of puts with an average 62% Fe DMT equivalent of US\$49/t and 1.1Mt of calls with an average 62% Fe DMT equivalent price of US\$57/t. 0.9Mt of puts have price protection limited to US\$40/t at 62% Fe DMT equivalent levels.

## Financial Position Summary

Cash as at 30 September 2016 was A\$95M (30 June 2016: A\$81M) with the increase attributable to positive cashflow generated from the Company's operations, partially offset by repayment of a further A\$3M in State Government royalty relief and A\$4M of interest and principle repayments.



## Corporate

On 5 August 2016, the Company advised the market that Tony Walsh had been appointed as a director of the Company. Mr David Flanagan, who had resigned as Managing Director on 28 June 2016, left the Company on 5 August 2016.

Atlas Non-Executive Director, Mr Daniel C Harris, continues as Managing Director (MD) and Chief Executive Officer (CEO) until a permanent replacement MD and CEO is appointed and commences employment with the Company.

On 22 September 2016 the Company released its Mineral Resources and Ore Reserves at 30 June 2016 to ASX.

### Investor Enquiries:

#### Atlas Iron Limited

Tony Walsh,  
Company Secretary +61 8 6228 8000

### Media Enquiries:

Read Corporate +61 8 9388 1474  
Paul Armstrong +61 421 619 084

### 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

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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
Daniel Harris	Managing Director
Hon. Cheryl Edwardes AM	Non-Executive Director
Alan Carr	Non-Executive Director
Tony Walsh	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**

	September 16 Quarter (WMT)	June 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,369,132	1,470,442	(101,310)	(7%)
Ore Processed	1,389,559	1,484,023	(94,464)	(6%)
Haulage to Port	1,348,116	1,470,489	(122,373)	(8%)

**Table B – Mine Production Abydos**

	September 16 Quarter (WMT)	June 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	690,774	820,949	(130,175)	(16%)
Ore Processed	829,131	860,730	(31,599)	(4%)
Haulage to Port	875,173	816,712	58,461	7%

**Table C – Mine Production Mt Webber**

	September 16 Quarter (WMT)	June 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,732,667	1,345,139	387,528	29%
Ore Processed	1,716,182	1,554,184	161,998	10%
Haulage to Port	1,771,509	1,530,170	241,339	16%

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

**Table D – Inventory**

	September 16 Quarter (WMT)	June 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	447,995	588,016	(140,021)	(24%)
Final Product Stock at site	299,330	327,862	(28,532)	(9%)
Final Product Stocks - Port	91,727	148,678	(56,951)	(38%)

Note: All percentages in Appendix 1 are rounded