Annual Report 2016

Management continues to apply its cost-reduction skills to every aspect of the business while looking for opportunities to add value to our existing iron ore products.

Record Production

Ramped-up production to 14-15Mtpa

Doubled production at Mt Webber from 3 to 6Mtpa

Now shipping a higher-value Atlas Lump product from both Abydos and Mt Webber

CHAIRMAN'S REPORT

Dear Shareholders

As you know I joined Atlas following the debt restructure and have been Chairman of the Board at Atlas Iron since June and already I have been made aware of the opportunities and the challenges in the iron ore industry.

Some of the opportunities stem from the difficulties Atlas encountered as a direct result of the sharp fall in the iron ore crash in 2015. The extensive cost cuts which have flowed from the innovative contractor-collaboration agreements, under which some of 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 immense opportunity for Atlas shareholders.

Our lower cost base in FY2016 ensured Atlas generated positive cashflows for our shareholders, as highlighted by the stronger financial performance of Atlas in FY2016. Our financial position has also been strengthened by the recently completed debt restructure.

Again, this was undertaken as part of our strategic response to the iron ore price fall in 2015, and will help Atlas to capitalise on its opportunities whilst providing some protection to future price volatility.

At the end of a very challenging 24 months Atlas is now stronger and leaner, poised to reap the benefits that can stem from a much lower cost base, a more robust balance sheet, incredible support from our lenders and shareholders, a collaborative relationship with our key contractors and an experienced team with a strong track record of project development, cost reduction and production growth.

DELIVERING ON PRODUCTION

At the end of a very challenging 24 months Atlas is now stronger and leaner, poised to reap the benefits that can stem from a much lower cost base

Atlas is particularly grateful for the strong support it has received from the WA Government and key government departments over the last 24 months in the form of lower port charges and suspended royalty and road levy payments.

I would like to thank my fellow Directors, our recently retired Directors David Flanagan, Ken Brinsden and Jeff Dowling, and Atlas management for their incredibly hard work, particularly those involved in the eight month long debt restructure process. This involved long days and often long nights and weekends. Their commitment to Atlas' survival and future has been unwavering and the opportunity we now have is also a result of their hard labour.

The Atlas Board enters FY2017 with both an awareness of Atlas' recent challenges and a degree of optimism on the back of our new strengthened financial and operational position with supportive stakeholders.

I thank all stakeholders for their resilience during these challenges and I look forward to delivering the benefits of our restructuring.

Mr Eugene I. Davis
NON-EXECUTIVE CHAIRMAN

MANAGING DIRECTOR'S REPORT

Dear Shareholders

While there is no denying that the past two years have been a very difficult time for Atlas and our shareholders, Atlas has ramped up its production to an annual rate of almost 15 million tonnes in line with the undertaking we had given to the market over several years. We have also been very successful in significantly reducing our costs in response to a falling iron ore price.

But despite our extensive cost reduction efforts during FY2016, the iron price fell faster and harder than anyone had predicted. The Company's Board and Management entered into negotiations with its Lenders and completed a debt restructure such that at the date of writing this report the Lenders hold approximately 50% of our issued capital and are now aligned with other shareholders.

Our key contractors continue to rally around Atlas and work with us and honour their commitments under the contractor-collaboration model.

These contractors reduced their charges in return for a profit-share when iron prices rise and our net cashflow grows. They agreed to support our July 2015 capital raising, and played an important role in our turnaround strategy while securing exposure to the upside.

The July 2015 capital raising happened in the middle of a volatile and challenging 24 months in the iron ore sector. This capital raising enabled Atlas to negotiate and complete a debt restructure with its Term Loan B Lenders during FY2016.

This contractor collaboration model has been a very important element of Atlas' lower cost base. As a result, our full cash costs in the second half of FY2016 were reduced to A$49 per tonne. This meant we were cashflow-positive in the half year ended 30 June 2016.

In the face of a difficult 2 years in the iron ore sector, Atlas has achieved a number of important milestones to significantly strengthen its business and position itself for the future, including:

- Significantly reduced our cost of production
- Ramped-up production to 14-15Mtpa
- Doubled production at Mt Webber from 3 to 6Mtpa
- Commenced shipping a higher-value Atlas Lump product from Abydos and Mt Webber
- Completed a Contractor Collaboration agreement at the Wodgina and Abydos mines
- Entered into an iron ore Royalty Relief agreement to defer royalty payments with the Western Australian State Government
- Achieved material savings in Government Port Charges through Port Hedland until July 2017
- Reduced our exposure to the volatile iron ore spot price by successfully implementing a number of hedging contracts in respect of our iron ore sales
- Reduced staff numbers to below 100 and the number of Directors from 9 to 5

Atlas remains focused on three key initiatives:

1. Sustainable margins.

Management continues to apply its cost-reduction skills to every aspect of the business while looking for opportunities to add value to our existing iron ore products.

2. Ensuring 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 ultra-low cost brownfields expansions which will support higher production rates.

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

3. Safety first

The safety of our people is paramount. To complete over 24 months mining with significant mine expansion, suspend operations and then re-mobilise a large sophisticated mining business without recording a serious injury is a significant achievement. All our teams are to be congratulated for their efforts in relation to safety.

This safety performance 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 targeted exploration and evaluation activities and are very enthusiastic about the results from the PFS at Corunna Downs released in December 2015.

The North Pilbara continues to be a very favourable location for iron ore exploration, and Atlas' significant land holding in the area is a strategic advantage in developing a substantial pipeline of resource opportunities. With our existing mines and the potential we are seeing at our development and exploration sites, I am very confident about our future.

Atlas has a reputation as a reliable supplier of iron ore with strong relationships with our customers. We continue to receive strong interest in and demand for our products, having executed a number of contracts for our standard fines, lump product and value fines products.

Atlas has continued as an active contributor to the East Pilbara community. We try to look beyond the taxes and royalties we pay and this involves our team looking for opportunities to improve the communities in which we operate.

We have established strong relationships with various community organisations through our Community Partnership Program, Helping Hands grants and Philanthropic grants, as well as our employees volunteering in the community. Our community involvement helps build a strong and vibrant culture.

While it has been a difficult journey over the past 2 years, I believe, that with our new cost base and strengthened balance sheet, Atlas has the opportunity to withstand future iron ore price volatility and capitalise on stronger prices and margins.

I would like to thank shareholders, our lenders, contractors, staff and our management team for their commitment, loyalty and belief in Atlas. Your Directors and Management are committed to ensuring a successful future for your Company.

Daniel C. Harris, (interim)
MANAGING DIRECTOR

DELIVERING ON **PRODUCTION**

Atlas has a reputation as a reliable supplier of iron ore with strong relationships with our customers. We continue to receive strong interest in and demand for our products, having executed a number of contracts for our standard fines, lump product and value fines products.

FY2016 SNAPSHOT

Highlights

Underlying EBITDA of A$74M (FY2015: loss of A$51), of which A$54M was earned in a strong H2 FY2016

Full cash costs down by 24% to A$52.59/WMT (FY2015: A$68.95/WMT)

Record exports of 14.5Mt in FY2016 (FY2015: 12.2Mt), of which 7.6Mt was exported in the second half of FY2016 (H2 FY2016)

C1 costs down by 25% to A$34.39/ WMT (FY2015: A$45.74/WMT)

Revenue up by 9% to A$786M (FY2015: A$718M) of which $413M was earned in H2 FY2016

Cash flow from operations for year of A$31M (FY2015: cash outflow of A$67M)

Average FY2016 realised price of A$55.47/ WMT CFR (FY2015: A$59.96/ WMT CFR)

Non-cash asset impairment & write downs of A$101M (FY2015: A$1,077M) have contributed to a statutory loss of A$159M (FY2015: A$1,378M)

Summary

	Amount	Change
Total iron ore shipments (WMT)	14.5M	+19%
Sales revenue	$786 million	+9%
Gross profit	$12 million	From a loss last year
Underlying EBITDA (Non-IFRS)	$74 million	From a loss last year
C1 costs / WMT	A$34.39/WMT	down 25%
Full Cash Costs / WMT	A$52.59/WMT	down 24%
Average realised price / WMT	A$55.47/WMT	down

Debt restructure completed

- Successful restructure places Atlas in a far stronger financial position
- Debt has been reduced by nearly half to US$135m; with repayment extended until April 2021 from December 2017
- Annual interest expense cut by approximately A$20m to A$10-A$12m
- Lenders hold ~50% of Atlas, aligning them with other shareholders

FY2017 GUIDANCE

Atlas' FY2017 Guidance is as follows:

	Full Year Guidance
Ore tonnes shipped (WMT)	14M – 15M
C1 cash costs (A$/WMT FOB)	$34 - $36
Full cash cost (A$/WMT CFR China)	$48 - $52
Sustaining Capital (A$)	$4M - $6M
Development Capital (A$)	$8M - $10M
Cash Interest paid (A$)	$9M - $11M
Rehabilitation	$3M - $5M
Depreciation & Amortisation (A$/WMT)	$4 - $6

Note: The FY2017 Guidance range takes into account the higher haulage costs that result from Mt Webber's full year run rate of 6Mtpa during FY2017.

Breakdown of the 14Mt to 15Mts of product expected to be shipped in FY2017	FY2017 Guidance
Atlas fines (WMT)	9M – 10M
Atlas lump (WMT)	4M – 5M
Value fines (WMT)	~1M

Note: The ultimate breakdown of the 14Mt to 15Mt of product mix during FY2017 is subject to change and will depend on demand and product availability

Atlas' Vision

To build a truly great Australian company that is a fantastic place to work, makes the world a better place and a company our families are all proud of.

ABOUT ATLAS

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 into a mid-sized iron ore mining and exploration company.

Atlas' operations are focused on the Pilbara region of Western Australia, where it has grown its Reserve and Resource assets through exploration activities, as well as the acquisition of other mining operations in strategic locations.

Since its establishment, Atlas has commenced five mines in the Pilbara region, increasing its exports year on year since it started production in 2008. Atlas increased exports of iron ore by 19% in FY2016 to 14.5Mt.

Atlas is proud of its reputation as an ethical, dynamic and can-do attitude Company. 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 directly responsible for around 600 jobs, making a significant contribution to the state and national economy and local communities.

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.

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.

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.

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.

Strive for Business Excellence

We challenge ourselves to be efficient and effective with available resources. We seek improvement and embrace change.

Indomitable Spirit

Our people are resilient. We approach challenges with courage and passion.

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 PEOPLE AND CULTURE

Atlas has grown from a one person operation in 2004 to become one of Australia's leading junior iron ore exporters exporting 14.5Mt in FY2016. Achieving this has required a team of exceptional, high performing people, passionate to succeed. These qualities have been important to grow the Company year on year, grow the Company's resource base and be a good corporate citizen in the communities in which Atlas is based.

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 exponential growth, opened five new mines, invested in exploration and continued an ambitious growth strategy, the market volatility over the past 24 months has contributed to Atlas repositioning its workforce to less than 100 employees (at the date of this report), working in Perth and the Pilbara.

Despite a very difficult period in which there has been significant volatility in the iron ore market, Atlas' employees continue to remain engaged and a strong and positive culture exists providing the Company with stability and focus.

Atlas' direct workforce is complemented by approximately 500 contractors (as at 30 June 2016) 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 structure has been designed to better enable leadership and to support our people to do the right work at the right level with appropriate accountability and authority moving forward. We are committed to driving a high performance culture where our leaders and their teams are clearly aligned to the strategic objectives of the organisation.

HEALTH AND SAFETY

Atlas continues to be committed to the health and safety of our people.

To achieve this, there is a strategic business plan and a health and safety framework built around the four pillars of exceptional leadership, engaged employees, risk management and enabling systems.

Site specific Safety Management Plans are in place at all operational Atlas sites and serve as the basis of how we ensure risks are appropriately managed.

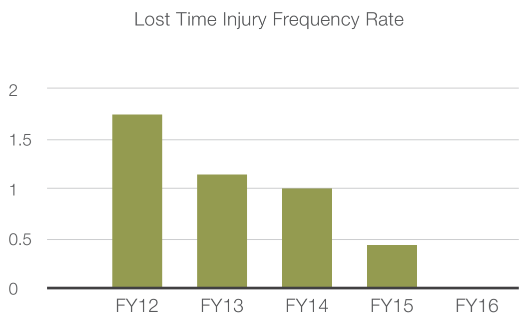
In FY2016 the focus has been to review and strengthen those elements of our health and safety system that support Atlas' injury and fatality risk prevention program.

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, with the incidents included in Atlas' safety statistics.

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 future injury to our workforce.

COMMUNITY **ENGAGEMENT**

The Company is only ten years young, but it has achieved so much in those ten years, making a significant contribution to the local communities in which we operate, the state and the nation, with greater contributions to be made in the years ahead.



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 sixth consecutive year, to 0.00, with Atlas being LTI free since August 2014 (see chart).

Atlas has also seen an 18% decrease in the total of All Injuries in FY2016, and a significant decrease in the severity rate (average number of restricted or lost days per recordable injury over a 12 month period) from an average of 50 days to 20 days per recordable injury.

Implementation of the current Strategic Health and Safety Business Plan has focussed on safety leadership, safety culture and a review of standards to control catastrophic risks. These focus areas will continue in FY2017.

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 bolster a sustainable production platform that delivers a reliable return to its shareholders.

Consistent with this strategy, Atlas seeks to:

- Strengthen its balance sheet through continued debt reduction;
- Develop its Pilbara mines to maintain production levels consistent with Atlas' position in the market; and
- Maximize the margin generated by the business through continued focus on cost reduction and revenue enhancing opportunities.

Our performance

Whilst Atlas has had a challenging year with respect to its debt restructure and a continued volatile iron ore market (particularly in the 1st half of FY2016), there have been significant operational achievements focussed on maximising value:

- 25% reduction in C1 cash costs
- Increased proportion of higher value lump product sales as a result of the Mt Webber plant conversion
- Record Shipped tonnes of 14.5Mt
- Successful debt restructure

The Company has continued to reduce production costs, with the C1 cash cost of production reduced by 25% from $45.74/WMT in FY2015 to $34.39/WMT in FY2016.

The Mt Webber mine was successfully restarted (first processing commencing in the first quarter of FY2016) after suspension of operations in late FY2015 with capital works on the process plant (to enable Lump production) also successfully completed on budget and on time by December 2015.

The following table summarises key production physicals for FY2016 in comparison to past years:

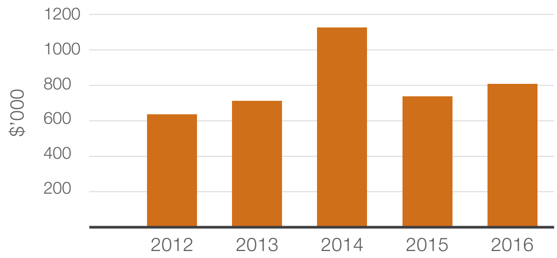
Million Tonnes (WMT)	FY2012	FY2013	FY2014	FY2015	FY2016
Ore mined	5.6	7.9	11.1	11.6	14.7
Ore processed	5.5	7.3	11.0	12.2	14.5
Ore hauled	5.5	7.4	11.1	12.2	14.5
Ore shipped	5.6	7.4	10.9	12.2	14.5

MAXIMISING **MARGINS**

Atlas seeks to maximize the margin generated by the business through continued focus on cost reduction and revenue enhancing opportunities.

REPORT ON OPERATIONS

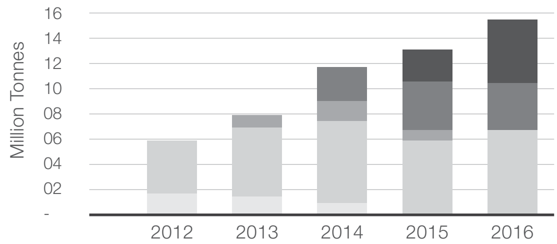
Annual Revenue FY2012 - FY2016



Revenue

Revenue from iron ore sales increased by 9% to $786 million in FY2016 (FY2015: $718 million), driven by a 19% increase in sales volumes offset to some extent by lower overall pricing due to a softening in the market.

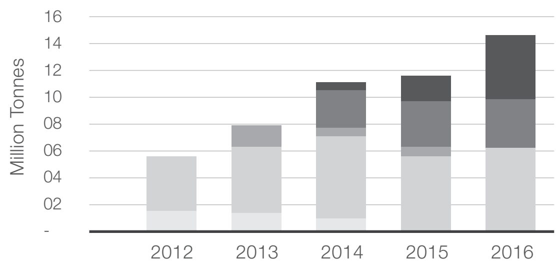
Annual Shipments FY2012 - FY2016



Shipping

During FY2016 Atlas delivered 140 shipments representing a record 14.5Mt of product to its customers, predominately located in China.

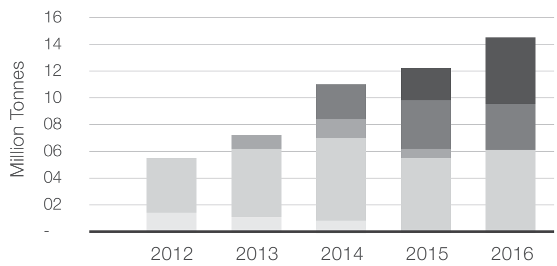
Annual Mining FY2012 - FY2016



Mining

Ore tonnes mined increased by 27% to 14.7Mt compared to FY2015, driven by strong production at both Wodgina and Abydos, in conjunction with Mt Webber reaching full production.

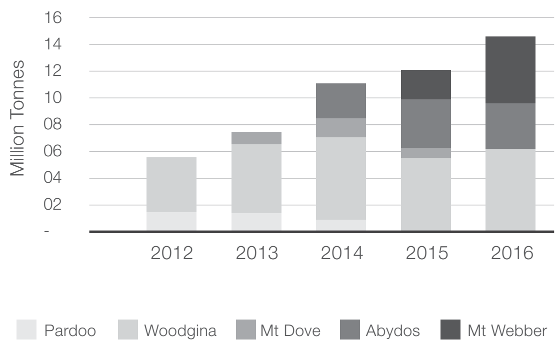
Annual Processing FY2012 - FY2016



Processing

Processing increased by 19% compared to FY2015, again driven by strong production at both Wodgina and Abydos, in conjunction with Mt Webber reaching full production. The conversion works to the Mt Webber processing plant supported a processing cost saving and higher throughput.

Annual Haulage FY2012 - FY2016



Haulage

Consistent with mining and processing, haulage increased 19% on the previous year. The continued growth in haulage reinforces the effectiveness and reliability of the haulage model and Atlas' haulage contractor, McAleese.

HAULAGE INCREASED BY

19%

PROCESSING INCREASED BY

19%

ORE TONNES MINED INCREASED BY

27%
to 14.7Mt

DELIVERING ON **PRODUCTION**

The Mt Webber mine was successfully restarted (first processing commencing in the first quarter of FY2016) after suspension of operations in late FY2015. Capital works on the process plant (to enable Lump production) were also successfully completed on budget and on time.

COMMITTED TO MINIMISING IMPACTS

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

LAND ACCESS, HERITAGE AND ENVIRONMENT

Atlas is committed to maintaining strong and respectful relationships with the landholders 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, employment opportunities and contracting.

A SIGNIFICANT MILESTONE

WAS THE GRANT OF THE MINING LEASE AT THE CORUNNA DOWNS PROJECT IN ANTICIPATION OF FUTURE DEVELOPMENT

Atlas met regularly with its key stakeholders throughout FY2016, including members of the Kariyarra, Njamal and Palyku Native Title Claim groups.

Atlas is committed to minimising impacts on Aboriginal sites within our operational areas. The focus of Atlas' Aboriginal heritage survey activities during FY2016 was at the Abydos project, where Atlas received the necessary heritage approvals for the development of the Cove and Contacio deposits.

During FY2016 Atlas continued a comprehensive assessment of its extensive tenure portfolio to ensure alignment with the needs of existing production projects and future growth projects. This included the surrender and divestment of non-core tenure and assets. A significant milestone was the grant of the mining lease at the Corunna Downs project in anticipation of future development.

Atlas promotes a culture of responsible environmental management in order to protect the natural environment, indigenous and social surroundings. Atlas ensures a systematic approach to environmental management and is continually working to improve its environmental performance. Atlas and its contractors have maintained environmental licences at all of its operations throughout the year and complied with all environmental monitoring and reporting requirements.

During FY2016 inaugural rehabilitation monitoring was undertaken at both the Pardoo and Mt Dove mines in accordance with Mine Closure Plans approved by the Department of Mines and Petroleum. A detailed Mine Closure Plan for the Wodgina mine was approved by the Department of Mines and Petroleum. In accordance with environmental approval conditions for its Abydos and Wodgina mines, environmental offset payments totalling $350,000 were paid to the Department of Parks and Wildlife for research programs directed towards the Northern Quoll, Pilbara Leaf-nosed Bat and Pilbara Olive Python.

Staff from the Department of Environment Regulation and the Department of Mines and Petroleum visited the Mt Dove, Abydos and Pardoo mines during FY2016 as part of scheduled environmental compliance inspections.

During FY2016 Atlas has secured environmental approvals to develop the Cove deposit and expand the Trigg open pit at its existing Abydos mine. Atlas continued environmental surveys and studies for the greenfield Corunna Downs project in anticipation of future environmental approvals.

EXPLORATION & RESOURCE DEVELOPMENT

Rock chips that had been retained from historical tantalum-tin exploration RC drilling at Cisco were recovered and subsequently analysed for lithium

To ensure that Atlas' production activities remained the key focus during 2015/16, Exploration and Resource Development work was primarily centred around resource growth and definition at Corunna Downs. This was supported by an ongoing baseline of grass roots exploration activities, primarily within Atlas' North Pilbara tenure.

During the FY2016, a total of 77 RC drill holes were completed for a total of 4,860 metres. 14 holes for a total of 282m were drilled to test the Eastern CID target located south east of the Wodgina mine site. While results showed a limited depth of enrichment, the completion of such a program in the current market environment shows Atlas' continued commitment to focussed exploration in the North Pilbara area.

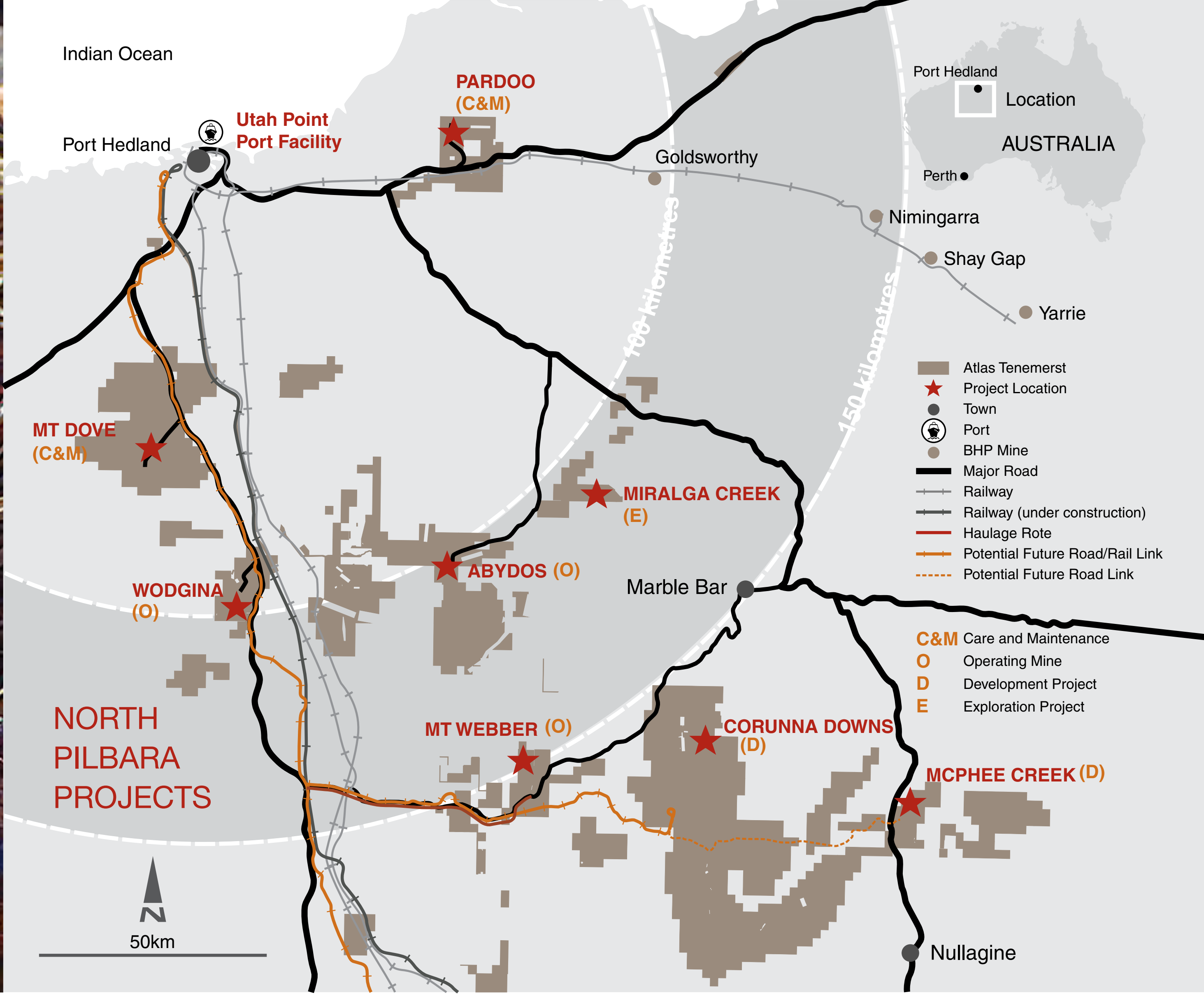
The majority of activity, a total of 4,578m (63 holes), was resource definition drilling on the Shark Gully and Glen Herring deposits at Corunna Downs.

This drilling was a key driver for an increase in the overall Indicated Mineral Resource at the Corunna Downs Project, dovetailing into the Maiden Ore Reserve that supported the Pre-Feasibility Study completed in December 2015. In addition, 6 Diamond drill holes were completed across the Split Rock, Shark Gully and Glen Herring deposits to provide invaluable geotechnical and metalurgical inputs to the study.

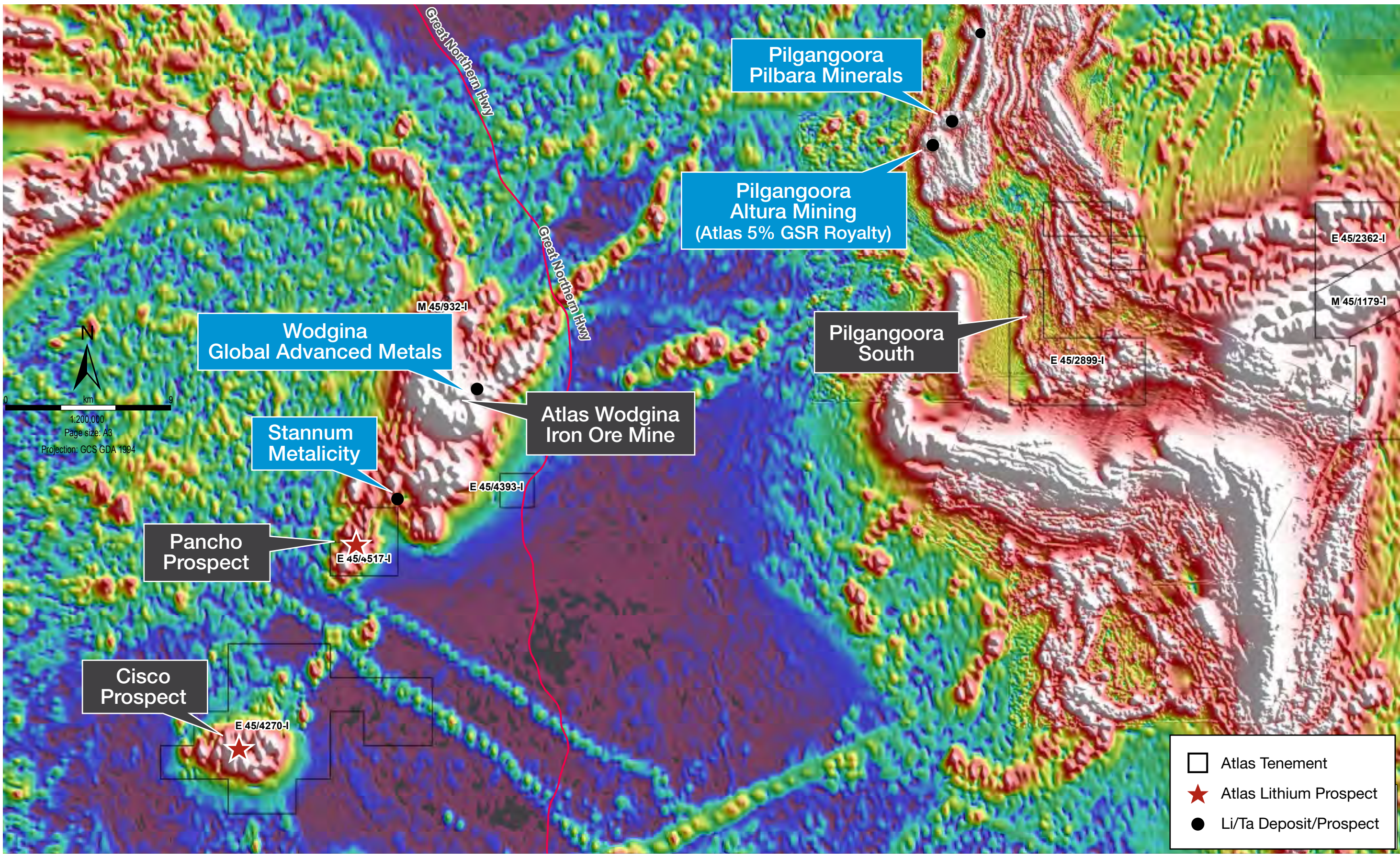
Atlas has conducted a broader review of tenure looking at prospectivity for pegmatite hosted lithium-tantalum deposits.

The review produced encouraging results, with mapped pegmatites and an existing tantalum deposit at the Cisco Prospect and highly prospective geology at the Pancho Prospect, both located in close proximity to the Wodgina mining centre.

Rock chips that had been retained from historical tantalum-tin exploration RC drilling at Cisco were recovered and subsequently analysed for lithium (see ASX Release 'May 2016 Investor Presentation' dated 23rd May 2016). Results confirmed the presence of lithium enrichment and the absence of historical exploration or analysis for lithium leaves significant scope for further exploration success in the area.



Indian Ocean
Port Hedland
Utah Point
Port Facility
PARDOO
(C&M)
Goldsworthy
Nimingarra
Shay Gap
Yarrie
Port Hedland
Location
AUSTRALIA
Perth
100 kilometres
150 kilometres
MT DOVE
(C&M)
MIRALGA CREEK
(E)
ABYDOS (O)
WODGINA
(O)
Marble Bar
NORTH
PILBARA
PROJECTS
MT WEBBER (O)
CORUNNA DOWNS
(D)
MCPHEE CREEK (D)
Nullagine
50km
Atlas Tenemerst
Project Location
Town
Port
BHP Mine
Major Road
Railway
Railway (under construction)
Haulage Rote
Potential Future Road/Rail Link
Potential Future Road Link
C&M Care and Maintenance
O Operating Mine
D Development Project
E Exploration Project



Great Northern Hwy
Pilgangoora
Pilbara Minerals
Pilgangoora
Altura Mining
(Atlas 5% GSR Royalty)
M 45/932-I
Wodgina
Global Advanced Metals
Atlas Wodgina
Iron Ore Mine
Pilgangoora
South
E 45/2899-I
E 45/2362-I
M 45/1179-I
Stannum
Metalicity
E 45/4393-I
Pancho
Prospect
E 45/4517-I
Cisco
Prospect
E 45/4270-I
Atlas Tenement
Atlas Lithium Prospect
Li/Ta Deposit/Prospect

COMMUNITY

Atlas Community Partnerships are multi-year partnerships to deliver significant outcomes for the community, with a particular focus on communities in the Pilbara.

COMMITTED TO MAKING A POSITIVE DIFFERENCE

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 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.

During FY2016 Atlas supported the Hedland BMX Club, Hedland Kart Club and Hedland Reds Little League Baseball through the provision of *Helping Hands* grants. Atlas was also involved with the Marble Bar Progress Association Community Christmas party for the children of Marble Bar.

Atlas Community Partnerships are multi-year partnerships to deliver significant outcomes for the community, with a particular focus on communities in the Pilbara. In FY2016 Atlas and its contractors supported the North West Festival held in Port Hedland.

MINERAL RESOURCES AND ORE RESERVES

The Mineral Resources and Ore Reserves in the following tables are as of 30 June 2016. Comparative totals from June 2015 are provided for reference.

2016 Mineral Resources

	Likely Mining Method	Measured Resources at end June 2016		Indicated Resources at end June 2016		Inferred Resources at end June 2016		Total Resources at end June 2016		Total Resources at end of June 2015		Atlas Interest	Reporting Cut-Off
	(b)	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade		Grade
Iron Ore (a)		Kt	% Fe	Kt	% Fe	Kt	% Fe	Kt	% Fe	Kt	% Fe	%	% Fe
Pardoo	O/P					9,000	55.7	**9,000**	**55.7**	9,000	55.7	100	53
Abydos (c)	O/P			9,500	57.1	6,000	56.8	**15,500**	**57.0**	19,100	57.1	100	50
Wodgina (d)	O/P	2,000	56.1	6,700	55.6	16,000	54.0	**24,700**	**54.6**	32,400	55.4	100	53
Mt Webber (e)	O/P	32,000	58.3	22,100	55.4	2,000	57.3	**56,100**	**57.1**	62,200	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	O/P					4,000	57.6	**4,000**	**57.6**	4,000	0.0	100	50
Corunna Downs (f)	O/P			42,100	57.3	23,000	57.2	**65,100**	**57.2**	65,000	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		110,100	57.8	665,600	56.2	414,000	55.8	1,189,700	56.2	1,207,000	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 Resources have decreased due to production at Trigg, Mettams, Cove, Contacios, Leighton and Scarborough, partially offset by a resource model update for Contacios.

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

e) Mt Webber Mineral Resources have decreased due to production at Ibanez.

f) Corunna Downs Mineral Resources have increased due to resource model updates for Split Rock, Shark Gully and Runway, reported December 2015.

g) Other Mineral Resources remain unchanged from 30 June 2015.

2016 Ore Reserves

	Product Type (a,b)	Proved Ore Reserves at end June 2016		Probable Ore Reserves at end June 2016		Total Ore Reserves at end of June 2016 (c)		Total Ore Reserves at end of June 2015		Atlas Interest	Reporting Cut-Off
		Kt	% Fe	Kt	% Fe	Kt	% Fe	%	% Fe	%	% Fe
Abydos (d)	Lump\Fines	400	56.6	3,500	56.9	**3,900**	**56.9**	7,400	57.2	100	52.0
Wodgina (d)	Fines	1,400	56.1	700	57.4	**2,000**	**56.6**	7,400	57.1	100	54.0 - 54.5
Wodgina (d)	Value Fines	-	-	2,600	53.5	**2,600**	**53.5**	3,000	53.3	100	50.0
Mt Webber (d)	Lump\Fines	29,200	57.9	18,300	55.8	**47,600**	**57.1**	53,200	57.3	100	50.0 - 53.5
McPhee Creek	Fines	-	-	-	-	**-**	**-**	188,200	56.0	100	48.5
Corunna Downs	Lump\Fines	-	-	21,000	57.0	**21,000**	**57.0**	-	-	100	51.0 - 53.0
Davidson Creek Hub	Fines	-	-	-	-	**-**	**-**	239,000	56.5	100	50.0 - 52.0
Port Stocks	Fines	100	56.9	-	-	**100**	**56.9**	100	57.1	100	
Total Ore Reserves (c)		31,100	57.8	46,100	56.3	77,200	56.9	498,300	56.4		

Mineral Resources are reported inclusive of Ore Reserves

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

b) Fines product targets a grade above or at 56.4% 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.

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 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, Corunna Downs and Ore Stocks at Utah Port
The information in this report that relates to Ore Reserve estimations for the Wodgina, Abydos, Mt Webber, Corunna Downs Areas and ore stocks at Utah Port, is based on information compiled under the guidance of and audited by Mr Eric Kiely, who is a member of the Australasian Institute of Mining and Metallurgy. Eric Kiely is a full time employee and security holder of Atlas. Eric Kiely 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'. Eric Kiely 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 – 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.

Geological Data, Interpretation and Resource Estimation – Atlas DSO Projects (including Miji Miji deposit at 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.

FINANCIAL REPORT 2016

FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' REPORT

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 2016 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

Eugene Davis (Non-Executive Chairman)
Mr Davis was appointed Non-Executive Director on 6 May 2016 and subsequently as Non-Executive Chairman on 6 June 2016 (Period of service: 0 years and 2 months).

Mr Davis is the founder, Chairman and Chief Executive Officer of PIRINATE Consulting Group, LLC, a privately held consulting firm specialising in turnaround management, merger and acquisition consulting, hostile and friendly takeovers, proxy contests and strategic planning advisory services for domestic, international public and private business entities.

Since forming PIRINATE in 1999, Mr Davis has advised, managed and served as a Chief Executive Officer, Chief Restructuring Officer, Director, Committee Chairman and Chairman of the board of a number of businesses operating in diverse sectors including metals, energy, oil & gas, import-export, mining and transportation and logistics. Previously, Mr Davis served as Chief Executive Officer of Total-Tel Communications, President, Vice Chairman and Director of Emerson Radio Corporation and Chief Executive Officer and Vice Chairman of Sport Supply Group, Inc. Mr Davis is also a director of Spectrum Brands, Inc., U.S. Concrete, Inc., WMI Holdings Corp, Hercules Offshort, Inc., and Genco Shipping & Trading Ltd.

Mr Davis began his career as an attorney and international negotiator with Exxon Corporation and Standard Oil Company (Indiana), and has also been a partner at two Texas-based law firms, specialising in corporate and securities law.

Mr Davis holds a bachelor's degree from Columbia College, a Master of International Affairs degree in International Law and Organisation from the School of International Affairs of Columbia University, and a Juris Doctor from the Columbia University School of Law, USA.

Mr Davis is a member of the Remuneration Committee (effective 6 May 2016) and Chairman of the Nomination and Governance Committee (effective 6 May 2016).

David Flanagan BSc, WASM, MAusIMM, FAICD (Managing Director – resigned effective 28 June 2016)
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. Mr Flanagan resumed the role of Managing Director on 11 June 2015 (Period of service: 11 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.

On 28 June 2016, Mr Flanagan resigned as Managing Director and retired effective 5 August 2016.

Hon. Cheryl Edwardes AM, LLM B.Juris B.A. GAICD (Non-Executive Director)
Mrs Edwardes AM was appointed Non-Executive Director on 6 May 2015 and subsequently as Non-Executive Chairman on 11 June 2015. Mrs Edwardes has recently transitioned to the role of Non-Executive Director on 6 June 2016 (Period of service: 1 year 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 Committee (effective 1 July 2015), a member of the Audit and Risk Committee (effective 1 July 2015) and became interim Chairman of the Audit and Risk Committee (effective 25 July 2016) and a member of the Nomination and Governance Committee (effective 1 July 2015).

DIRECTORS' REPORT (continued)

Daniel Harris (CEO and Managing Director & Non-Executive Director)
Mr Harris was appointed Non-Executive Director on 6 May 2016 (Period of service: 0 years and 2 months).

Following the resignation of Mr Flanagan as Managing Director on 28 June 2016, Mr Harris has been appointed as Managing Director (MD) and Chief Executive Officer (CEO) and will continue in this role until a permanent replacement is appointed. Thereafter, Mr Harris will revert to being a Non-Executive Director and Chairman of the Audit and Risk Committee.

Mr Harris brings a wealth of mining and resources industry experience to Atlas from a career spanning more than 35 years, having worked previously as Chief Executive Officer and Chief Operating Officer of Atlantic Ltd and Strategic Minerals Corporation's (formerly Union Carbide) vanadium business.

Mr Harris has also worked for Evraz in Moscow as Vice President, Vanadium Assets. Mr Harris is currently an independent technical and executive consultant to GSA Environmental Limited in the United Kingdom.

Mr Harris was Chairman of the Audit and Risk Committee (effective 6 May 2016 until 25 July 2016) and a member of the Nomination and Governance Committee (effective 6 May 2016).

Alan Carr (Non-Executive Director)
Mr Carr was appointed Non-Executive Director on 6 May 2016 (Period of service: 0 years and 2 months).

Mr Carr is an investment professional with 20 years' experience with investing in and leading complex financial restructurings globally, as well as serving on boards of directors. He is currently the Chief Executive Officer of Drivetrain LLC, which he founded in 2013. Mr Carr also served as Managing Director at Strategic Value Partners UK LLP from 2003 to 2013. Prior to these positions, Mr Carr worked as an attorney at Skadden, Arps and at Ravin, Sarasohn, specialising in corporate restructuring.

Mr Carr currently serves as a director of various companies, including Tanker Investments Ltd, Midstates Petroleum Company, Inc., Brookfield DTLA Fund Office Trust Investor Inc, NewPage Corporation and Syncora Holdings Ltd. He also served on the board of LightSquared Inc from 2013 to 2015.

Mr Carr has served on various boards of other private companies in North America, Europe and Asia.

Mr Carr holds a Juris Doctor, cum laude, from Tulane Law School, New Orleans, USA and a Bachelor of Arts in Economics and Sociology from Brandeis University, Waltham, MA, USA.

Mr Carr is Chairman of the Remuneration Committee (effective 6 May 2016) and a member of Audit and Risk Committee (effective 6 May 2016).

Tony Walsh BCom, MBA, FCA, FCIS, FFin (Executive Director)
Mr Walsh re-joined Atlas as Company Secretary and Head of Corporate on 12 October 2015 (Period of service: 0 years and 8 months).

Mr Walsh was Company Secretary and General Manager Corporate of ASX listed diversified mining producer, Independence Group NL, from July 2013 to October 2015. Prior to this he was Company Secretary of Atlas Iron Limited for 7 years. Mr Walsh has over 30 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC Committee and 4 years as Chairman of an ASX listed mining explorer and director of a London AIM listed mining explorer.

Mr Walsh was until recently a member of the West Australian State Council of Governance Institute of Australia (formerly Chartered Secretaries Australia) and is a member of Newman College school council. Prior to his role at ASX, Mr Walsh worked with Ernst & Young for over 5 years in an audit and compliance capacity. Mr Walsh is a member of the Australian Institute of Company Directors, is Fellow of the Governance Institute of Australia, the Institute of Charter Secretaries and the Institute of Chartered Accountants in Australia.

On 5 August 2016 Mr Walsh was appointed as an Executive Director.

Ken Brinsden BEng, WASM, MAusImm
Mr Brinsden was appointed as Managing Director on 22 February 2012, transitioned into an Executive Director role on 11 June 2015 until 1 September 2015 when he moved into a Non-Executive Director role and resigned from the Board on 6 May 2016 (Period of service: 4 years and 2 months).

Jeff Dowling BCom FCA, FAICD, FFin
Mr Dowling was appointed as a Non-Executive Director on 8 November 2011 and resigned from the Board on 6 May 2016 (Period of service: 4 years and 6 months).

Sook Yee Tai CPA
Ms Tai was appointed as a Non-Executive Director on 2 June 2010 and resigned from the Board on 12 November 2015 (Period of service: 5 years and 5 months).

Group Company Secretaries

Tony Walsh BCom, MBA, FCA, FCIS, FFin (Executive Director)
Refer to Director's biography.

Mark Hancock BBus, CA, FFin
Mr Hancock joined Atlas as Chief Commercial and Financial Officer in July 2006 (Period of service: 9 years and 11 months). Mr Hancock has resumed the role he held previously of Chief Financial Officer on 1 September 2015 and continues as Joint Company Secretary.

Mr Hancock was appointed as Executive Director - Commercial on 25 May 2012 and resigned from the Board on 2 December 2014.

Mr Hancock has more than 30 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 non-Executive Director of Centaurus Metals Limited (ASX: CTM) which Atlas holds approximately 9% of shares issued.

Yasmin Broughton BComn, PG Dip Law, GAICD
Ms Broughton was appointed Company Secretary and General Counsel on 30 January 2014 and resigned on 12 October 2015 (Period of service: 1 year and 8 months).

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
Eugene Davis	-	-	-
Hon. Cheryl Edwardes (AM)	208,100	200,000	-
Daniel Harris	-	-	-
Alan Carr	-	-	-
Tony Walsh	-	-	-

Dividends
Directors resolved not to pay a dividend for the year ended 30 June 2016.

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 the Group's 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:

	2016	2015	2014
Revenue			
Tonnes sold ('000 WMT)	14,485	12,175	10,921
Revenue (AU$'000)	785,755	718,474	1,097,617
Average price per tonne received (including Lump & Value fines) (AU$/WMT CFR)	55.47	59.96	100.51
Operating Results			
Underlying cash gross margin (AU$'000)*	97,721	(23,360)	319,594
Underlying EBITDA (AU$'000)*	74,466	(51,494)	257,855
Underlying (loss)/profit after tax (AU$'000)*	(57,694)	(240,168)	18,590
C1 cash costs (AU$/WMT FOB)	34.39	45.74	50.95
All-in cash costs (AU$/WMT)**	49.35	64.23	76.80
Full cash costs (AU$/WMT)***	52.59	68.95	89.93
Liquidity			
Cash flow from operations (AU$'000)	31,105	(67,087)	289,201
Cash (AU$'000)	80,853	73,305	264,242
Working capital (AU$'000)	69,744	2,563	208,081
Borrowings (AU$'000)	(189,347)	(339,520)	(288,356)

* 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, contractor collaboration margin, 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 and other non-cash expenses. Full cash costs are unaudited.

Revenue

Tonnes sold (WMT) have increased by 19.0% from the prior year. This increase is attributable to the suspension of operations in the prior period impacting tonnes sold and also increased production from Mt Webber coupled with productivity improvements at Wodgina and Abydos.

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

	30-Jun-16 WMT millions	30-Jun-15 WMT millions	30-Jun-14 WMT millions
Atlas fines	10.8	11.6	9.6
Atlas lump	3.4	0.5	-
Value fines	0.3	0.1	1.3
Total	**14.5**	**12.2**	**10.9**

Revenue for the year ended 30 June 2016 was $785.8 million following the sale of 14.5 million tonnes of iron ore at an average realised selling price of AU$55.47 per tonne. The increase of revenue by 9.4% has resulted primarily from an increase in tonnes sold of 19.0% and additional lump tonnes sold which attract a premium price, offset by a reduction in the average realised price by AU$4.49 per tonne (7.5%).

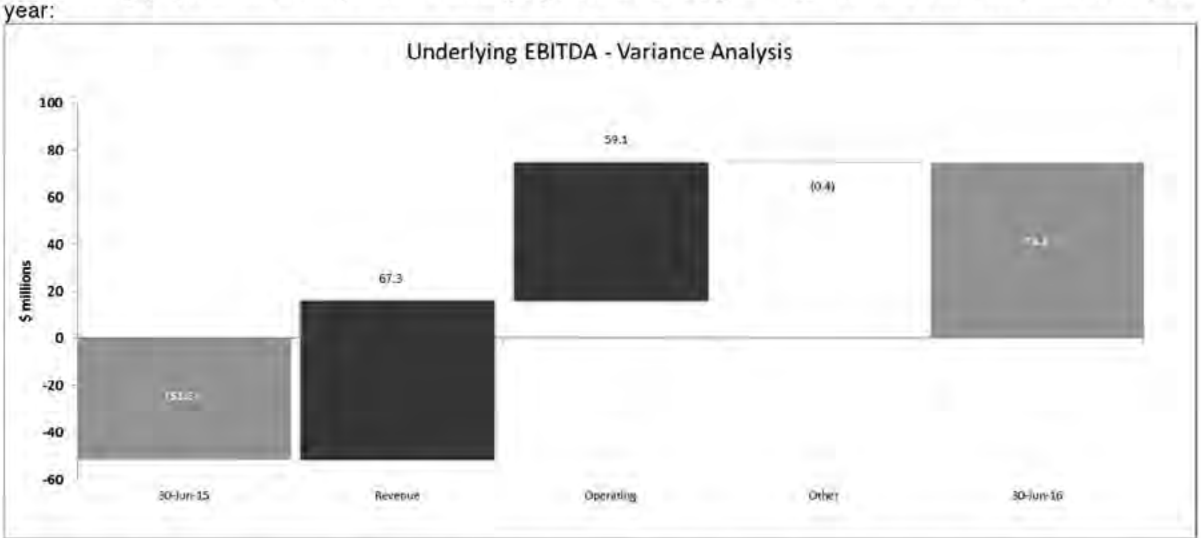
Operating Results

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

	30-Jun-16 $ 000's	30-Jun-15 $ 000's	30-Jun-14 $ 000's
Underlying cash gross margin*	**97,721**	**(23,360)**	**319,594**
Unwind of port prepayment included in operating costs	-	(5,289)	(14,926)
Exploration and evaluation expense	(3,526)	(5,189)	(9,042)
Other income and gain on dilution of associate	12,426	2,737	4,652
Loss on sale of assets	(349)	(1,071)	(173)
Other costs	(25,837)	(27,310)	(41,781)
Share of loss of associates and joint ventures and gain/(loss) on financial instruments	(5,969)	7,988	(469)
Underlying EBITDA*	**74,466**	**(51,494)**	**257,855**
Depreciation and amortisation	(85,033)	(117,793)	(207,893)
Underlying EBIT*	**(10,567)**	**(169,287)**	**49,962**
Net finance expense	(34,027)	(31,542)	(24,860)
Net foreign exchange (loss)/gain	(13,100)	(39,339)	37
Underlying (loss)/profit before tax*	**(57,694)**	**(240,168)**	**25,139**
Underlying tax expense*	-	-	(6,549)
Underlying (loss)/profit after tax*	**(57,694)**	**(240,168)**	**18,590**
Inventory write-down	(3,652)	(29,769)	(10,017)
Impairment of assets	(97,098)	(980,371)	(17,811)
Derecognition of deferred tax asset	-	(67,003)	-
Gain on debt restructure	5,452	-	-
Restructuring costs	(3,783)	(28,092)	(5,435)
Suspension costs	-	(24,711)	-
Other	(2,239)	(7,712)	-
MRRT tax benefit	-	-	28,925
Statutory (loss)/profit after tax	**(159,014)**	**(1,377,826)**	**14,252**

* 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.

Underlying EBITDA and EBIT
The following graph shows a comparison of underlying EBITDA for the year ended 30 June 2016 compared to the prior year:



Underlying EBITDA has increased by $126.0 million to $74.5 million as a result of favourable impact of significant reduction in the Group's All-in cash cost per tonne (23.2%) and increase in tonnes sold including Atlas lump, partly offset by a 7.5% decrease in the average iron ore price received.

Underlying loss after tax
The underlying loss after tax of (AU$57.7) million improved from a loss of (AU$240.2) million in the prior year due to favourable EBITDA movement outlined above, partly offset by a reduction in the AUD/USD exchange rate resulting in foreign exchange losses on the USD denominated debt facility and higher interest.

Statutory loss after tax
The statutory loss after tax has improved by AU$1,218.8 million from the prior year to a loss of AU$159.0 million due to the favourable impact on costs as a result of the contractor collaboration detailed above and other savings with reduced write-downs and one off transactions, including:

- impairment charges on assets of AU$97.1 million;
- inventory valuation write-down of AU$3.7 million;
- restructuring costs, the majority of which were onerous lease provisions, of AU$3.8 million;
- realised gain on term loan B debt to equity swap of AU$5.5 million; and
- the impact of other one off costs and business combinations of AU$2.2 million.

C1 cash cost per tonne
C1 cash cost per tonne decreased by 24.8% (AU$11.35 per tonne) from the prior year to AU$34.39 per tonne associated with cost reduction initiatives including the positive effect from the Contractor Collaboration agreement and other cost savings.

All-in cash cost per tonne
The All-in cash costs per tonne decreased by 23.2% (AU$14.88 per tonne) from the prior year to AU$49.35 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 23.7% (AU$16.36) from the prior year to AU$52.59 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 Group's main sources of cash. These cash flows have been fundamental to the Group's ability to fund 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 22 to the financial statements:

	30-Jun-16 $ 000's	30-Jun-15 $ 000's	30-Jun-14 $ 000's
Cash from/(used in) operations	34,800	(49,893)	290,355
Interest received	854	2,315	7,888
Exploration and evaluation expenditure payments	(3,525)	(5,189)	(9,042)
Restructuring/suspension costs	(1,024)	(14,320)	-
Net operating cash flows	**31,105**	**(67,087)**	**289,201**
Payments for property, plant and equipment and intangible assets	(686)	(15,645)	(20,371)
Payments for mine development and reserve development	(14,527)	(86,781)	(332,947)
Stamp duty paid	(2,581)	(1,694)	(18,911)
Loan to joint operation partner	-	(6,636)	(12,606)
Proceeds from bank guarantees	91	21,248	2,590
Other	(5,704)	8,450	(6,151)
Net investing cash flows	**(23,407)**	**(81,058)**	**(388,396)**
Proceeds from/(payments) for issue of shares (net of costs)	46,584	(1,744)	-
Payments for shares acquired by Atlas Iron Employees	-	(219)	(390)
Payments for finance lease	(1,292)	-	-
Dividends paid	-	(16,229)	(22,490)
Debt restructure costs	(16,104)	-	-
Net proceeds from royalty assistance program	15,364	-	-
Interest on borrowings	(29,537)	(30,650)	(27,502)
Net (payments of)/proceeds from borrowings	(16,938)	(17,698)	1,929
Net financing cash flows	**(1,923)**	**(66,540)**	**(48,453)**
Effect of exchange rate changes on cash and cash equivalents	1,773	23,748	(5,032)
Net increase/(decrease) in cash and cash equivalents	**7,548**	**(190,937)**	**(152,680)**

Net Operating Cash Flows

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

	30-Jun-16 $ 000's	30-Jun-15 $ 000's	30-Jun-14 $ 000's
Underlying EBITDA*	**74,466**	**(51,494)**	**257,855**
Working capital movements			
Inventory	(6,323)	23,886	(14,827)
Debtors and other assets	(10,174)	25,888	4,059
Creditors and other liabilities	(30,959)	(49,541)	33,586
Interest received	854	2,315	7,888
Share of joint venture and associates losses	106	3,587	3,049
Share-based payments	5,249	(258)	2,423
Loss/(gain) on fair value of financial assets	-	687	(64)
Gain on financial instruments	5,863	(7,276)	-
Restructuring costs	-	(8,578)	-
Suspension costs	-	(5,742)	-
Other income/expenses	(7,326)	-	-
Other non-cash items	(651)	(561)	(4,768)
Cash flow from/(used in) operations	**31,105**	**(67,087)**	**289,201**

* 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. A reconciliation between statutory results to underlying results is provided in "Underlying cash gross margin" section above. These non-IFRS measures are unaudited.

There has been a significant improvement in the cash flows from operations of AU$98.2 million during the year ended 30 June 2016 as a result of the Company completing the contractor collaboration in May 2015 and other cost savings which lowered the Company's cost base but the iron ore price volatility continues to impact operating cash flows. The Group remains focused on reducing costs further and mitigating the iron ore volatility risk.

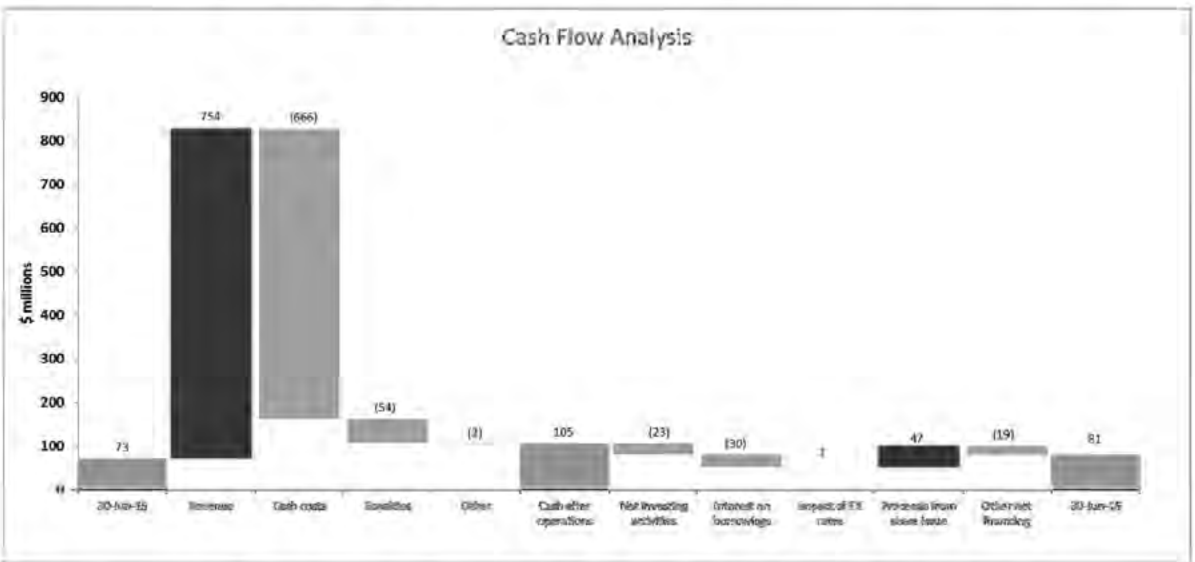
Net Investing and Financing Cash Flows

The reduction in mine development and reserve development spend reflects the conclusion of Atlas' initial mine development phase. The majority of capital spent related to the conversion of the Mt Webber crusher to facilitate the production of lump product.

Cash outflows from financing activities has improved in the year ended 30 June 2016 to AU$1.9 million by AU$64.6 million a result of the cash inflows from the capital raising completed in July 2015 offset by higher interest payments as a result of the depreciation in AUD/USD exchange rate and debt restructure expenditure.

Cash

At the end of the financial year, Atlas had AU$80.9 million in cash and cash equivalents. The following graph outlines the cash inflows and outflows during the year:



The increase in cash from AU$73.3 million to AU$80.9 million during the year has primarily resulted from:

- an increase in revenue receipts;
- proceeds from royalty assistance program;
- continued reduction of operating costs; and

- successful capital raising completed in July 2015.

Working capital
The following table summarises Atlas' working capital position:

	30-Jun-16 **$ 000's**	30-Jun-15 $ 000's	30-Jun-14 $ 000's
Cash	80,853	73,305	264,242
Trade and other receivables	36,509	23,973	78,165
Inventories	16,728	15,604	53,425
Trade and other payables	(64,346)	(110,319)	(187,751)
Working Capital	**69,744**	**2,563**	**208,081**

Working capital has increased by AU$67.2 million to AU$69.7 million due to:
- increase in cash outlined above;
- lower trade and other payables balance as a result of reduced costs arising from contractor collaboration and other savings; and
- increase in trade receivables at 30 June 2016 compared to the prior period as a result of increase in tonnes shipped.

Borrowings
Borrowings has decreased by AU$150.2 million primarily as a result of a debt restructure completed on 6 May 2016. The key terms of the restructure were as follows:
- term loan debt reduced from US$267 million to US$135 million and extended maturity date from December 2017 to April 2021;
- annual cash interest expense reduced by ~65% as a result of the lower debt balance and reduced cash interest rate; and
- Atlas issued 6,229,503,087 fully paid ordinary shares and 4,513,986,260 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 on issue at 6 May 2016.

Borrowing have also been negatively impacted by the change in the AU$:US$ foreign exchange rate from 0.7680 at 30 June 2015 to 0.7426 at 30 June 2016.

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 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 looks 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-16	30-Jun-15	30-Jun-14
	$	$	$
62% CFR (US$/DMT)	51.37	71.39	122.59
Average price per tonne received CFR (including Atlas Value Fines) (AU$/WMT)	55.47	59.96	100.51

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 for the financial year over the last three years:

	30-Jun-16	30-Jun-15	30-Jun-14
	$	$	$
USD/AUD	0.7283	0.8382	0.9187

Refer to Note 29 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 of 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 at risk of acceleration and enforcement if a default arises 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 Lenders and Atlas have entered into an amended Term Loan Agreement where the six monthly Asset Coverage Ratio has been replaced with a minimum cash balance covenant requiring Atlas to have a minimum of AU$35 million at the end of each month. A 100% cash sweep pay down has also been introduced for any cash in excess of AU$80 million at the end of each quarter to be paid to the lenders in the following month.

Atlas is, as at the date of this Financial Report, in compliance with its obligations under the Term Loan B.

Regulatory and title risk
Changes in legislative and administrative regimes, taxation laws, interest rates and 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 above a LIBOR floor. Fluctuation in interest rates above that LIBOR floor will have an impact on the

Company's earnings. Refer to Note 29 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

On 24 July 2015 on the back of the prospectus issued in June 2015, the Company had received applications for AU$87 million from existing shareholders, contractors and new investors. The Company issued 1.74 billion fully paid ordinary shares at an issue price of AU$0.05 per share. In addition, 1.74 billion 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 the trading suspension of its securities on 27 July 2015.

During the year ended 30 June 2016, the Company has achieved significant cost and debt reductions which are now leading to positive operating margins.

On 6 May 2016, Atlas completed the debt restructuring announced in December 2015. 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 6.23 billion fully paid ordinary shares and 4.51 billion options excerisable at AU$0.075 per share 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 AU$35 million at the end of each month.

The Company has significantly reduced its full cash costs by 23.7% thanks largely to the continued success of the contractor collaboration agreements and other operating cost savings. The Company remains focused on further cost reduction and welcomed the announcement, by the WA Government on 28 June 2016, of the extension of reduced port charges until 30 June 2017.

All of the above factors have placed Atlas in a stronger financial position at 30 June 2016 and provides further evidence of how Atlas and its shareholders stand to enjoy a brighter future following the successful restructures.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 28 June 2016, Mr Flanagan resigned as Managing Director, and retired effective 5 August 2016. Non-Executive Director, Mr Harris, has been appointed as Managing Director and Chief Executive Officer and will continue in this role until a permanent replacement is appointed and commences employment with the Company. Thereafter, Mr Harris will revert to being a Non-Executive Director of the Company.

On 29 August 2016, haulage provider McAleese Limited announced that it had entered into voluntary administration (Refer to Note 1(a) of the consolidated financial statements) and appointed McGrath Nicol as Administrators of the McAleese Group.

No other matters have arisen since 30 June 2016, 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. Production at Wodgina and Abydos will decrease towards the end of the financial year in accordance with their mine plans.

The Group will continue work on exploration and evaluation activities, particularly at its existing projects, Corunna Downs and McPhee Creek, to progress these projects towards production.

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, 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	4.20	-	100,000
Options granted	0.07	6,258,748,303	189,803,513
Options exercised	0.00	-	(92,443,627)
Options forfeited	0.00	-	(7,532,681)
Options expired	4.20	-	(100,000)
Total number of options outstanding as at 30 June 2016	**0.07**	**6,258,748,303**	**89,827,205**
Granted subsequent to balance date	-	-	-
Exercised subsequent to balance date	-	-	(46,037,838)
Total number of options outstanding at the date of this report	**0.07**	**6,258,748,303**	**43,789,367**

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 $0.075 options all vested
	4,513,986,260	31/07/2017 $0.075 options all vested
Unlisted	43,789,367	30/11/2020 $0.00 options all granted
Total Options	**6,302,537,670**	

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 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 2016 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 the structure of 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 2015 Remuneration Report received positive shareholder support with a vote of 98.0% in favour at the 2015 Annual General Meeting (2015 AGM).

The 2016 financial year has seen continued volatility in the iron ore industry globally, and Atlas' shareholders have felt the impact of this instability. The Board and Remuneration Committee are committed to delivering remuneration outcomes that are aligned to shareholder expectations.

With this in mind, at the 2015 AGM, the Board sought and received shareholder approval to issue incentive options to employees. These options were subject to a vesting condition that required execution of a debt refinancing which was completed on 6 May 2016.

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

I commend the Remuneration Report to you.

Regards

Alan Carr
Chairman of the Remuneration 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 AM (Hon)	Director – from 6 June 2016	Part Year
	Chairman – to 6 June 2016	Part Year
E. Davis	Chairman – appointed 6 June 2016	Part Year
	Director – appointed 6 May 2016	Part Year
D. Harris	Director – appointed 6 May 2016	Part Year
A. Carr	Director – appointed 6 May 2016	Part Year
S.Y. Tai	Director – resigned effective 12 November 2015	Part Year
J. Dowling	Director – resigned effective 6 May 2016	Part Year
(ii) Executive Director		
D. Flanagan*	Managing Director	Full Year
D. Harris	CEO and Managing Director – appointed 28 June 2016	Part Year
K. Brinsden	Non-Executive Director – resigned effective 6 May 2016	Part Year
	Executive Director – to 1 September 2015	Part Year
(iii) Other Executive KMPs		
J. Sinclair	Chief Operating Officer	Full Year
B. Lynn	Chief Financial Officer – resigned effective 1 September 2015	Part Year
M. Hancock	Chief Financial Officer – from 1 September 2015	Part Year
	Chief Commercial Officer – to 1 September 2015	Part Year
T. Walsh**	Company Secretary and Head of Corporate – from 12 October 2015	Part Year

* On 28th June 2016, Mr Flanagan, Managing Director resigned. The Board put in place a transition plan when Mr Flanagan departed from the business on 5 August 2016. Mr Harris has been appointed CEO and Managing Director until a replacement Managing Director commences employment.
** On 5th August 2016, Mr Walsh was appointed as an Executive Director of the Company. There were no other changes to the Executive group after the reporting date and before the date the financial report was authorised for issue.

2. REMUNERATION GOVERNANCE

2.1 Remuneration Committee

On 6 June 2016 the Board resolved to split the Remuneration and Nomination Committee into a separate Remuneration Committee and Nomination and Governance 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 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 level of the Short Term Incentive (STI) pool.

The Remuneration Committee comprise the following Directors:

Remuneration Committee Members	
C. Edwardes AM (Hon)	Committee Member
A. Carr	Committee Chair from 6 May 2016
E. Davis	Committee Member from 6 May 2016
S.Y. Tai	Committee Chair to 12 November 2015
J. Dowling	Committee Member to 6 May 2016
K. Brinsden	Committee Member from 12 November 2015 to 6 May 2016

The Remuneration Committee meets throughout the year as required and where Senior Management input is required, Management attends by invitation. Refer to page 48 for the number of Committee meetings held during the year.

2.2 Independent Remuneration Consultants

Given the continued market volatility over the past 12 months and the debt restructure completed on 6 May 2016, the Board determined on 6 June 2016 to undertake an independent remuneration review for the FY 17 year. This independent review was completed by Lyons Benenson & Company Inc., an independent remuneration consultant, in August 2016.

3. EXECUTIVE REMUNERATION ARRANGEMENTS

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

The 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 table 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, statutory 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 an individual KPI achievement is required to be met to qualify for the overall corporate objectives. Corporate measures are to drive a focus on leading and lagging safety outcomes and earnings. At the Board's absolute discretion, the STI plan for Executives may include 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, short term incentives and long 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 2016 financial year.

Targeted remuneration mix:

The Board sought and received shareholder approval to issue zero priced incentive options to employees at the 2015 AGM. These options vested in May 2016 on completion of the debt restructure.

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

In FY 2016 the STI plan is linked to an individual performance rating (**Personal Component**) and an overall corporate cash earnings objective with a safety requirement (**Corporate Component**). At the beginning of the financial year, targets were approved for the 2016 financial year, all of which aimed at driving business growth, generating efficiencies in cost and importantly driving shareholder value. The STI plan aims 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.

Personal Component

KMPs are set personal KPIs and performance rating targets which must be achieved before an STI is awarded (**Personal Component**). If the personal performance rating is not achieved then no STI is awarded to that individual irrespective of corporate target performance.

Corporate Component

KMP's are only eligible for the Corporate Component of the FY 2016 STI plan if the business achieves a certain positive cash generation measure (**Earnings Performance Gateway**) and meets a minimum Total Recordable Injury Frequency Rate result (TRIFR) (**Safety Result**).

In the event that the Earnings Performance Gateway hurdle or Safety Result is not met, STI will not be awarded. The Earnings Performance Gateway is calculated as the Atlas realised selling price less Full Cash Costs including contractor profit share multiplied by tonnes sold in the period.

A linear approach is taken in the classification intervals between the Earnings Performance Gateway and TRIFR levels when calculating the STI award.

Table (i)

Personal Component	Corporate Target				
	Earnings Performance Gateway			Safety Results	
	Earnings	**Defined Pool**		**TRIFR**	**Safety**
Individual Performance Rating ≥2	$75m	$3.5m		<7	100%
			X	7	100%
	$50m	$2.25m		8	70%
				10	0%
	$25m	$1.0m			

At 30 June 2016, the minimum Earnings Performance Gateway was met with Cash Earnings for the period of AU$40.3 million resulting in a Defined Pool of AU$1.8 million. The TRIFR for the period was 8.69 resulting in a final STI pool of AU$0.8 million which is to be distributed amongst all employees based on the individual's performance rating.

At 30 June 2016, 69% (2015: 100%) of KMPs Corporate STI payments have been forfeited as full performance targets were not met.

Going forward, the Board is reviewing both the STI plan and is considering complementing it with a longer term equity plan to preserve cash and increase employees' equity ownership in the Company.

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 2015 financial year given no STI was awarded during the year and no deferred STI was offered to employees in FY 2016 given the focus on short term financial restructuring.

The STI deferral plan is currently being reviewed by the Board following the debt restructure completed on 6 May 2016.

3.2.4 Long term incentive (LTI) plan

Zero priced options were issued, following shareholder approval at the 2015 AGM. The options vested on the first to occur of:

- 31 December 2017 (the expiry date of the original Term Loan B Facility);
- the existing Term Loan B is refinanced or restructured to the satisfaction of the Board in its absolute discretion; or
- a Change of Control Event occurs, as that term is defined in the Rules.

These options vested upon the successful completion of the restructure on 6 May 2016. 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.

The zero priced options percentage of TFR issued for Executives is shown in the table below:

	Managing Director	Other KMPs
LTI target % of TFR	100%	80%

4. EXECUTIVE REMUNERATION OUTCOMES FOR THE FINANCIAL YEAR

In relation to the 2016 financial year, AU$0.8 million in STI's were awarded and 189 million zero priced options were issued, following shareholder approval at the 2015 AGM.

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

	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
(Loss)/profit attributable to owners of the company ($'000)	(159,014)	(1,377,689)	17,437	(241,886)	(114,616)
Underlying (loss)/profit after tax * (unaudited) ($'000)	(57,694)	(240,168)	18,590	(73,193)	72,181
Cash earnings ($'000)**	40,230	(109,449)	115,542	12,083	120,562
Change in share price ($)	(0.11)	(0.51)	(0.10)	(1.27)	(1.71)
Ore shipped (WMT) – Mtpa	14.5	12.2	10.9	7.4	5.6
Basic earnings per share (cents per share)	(4.5)	(150.1)	1.6	(27.0)	(13.0)
Dividend (cents per share)	-	-	2.0	3.0	3.0
TRIFR	8.69	7.36	6.69	9.37	6.44

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

** Cash earnings is a measure introduced for the year ended 30 June 2016. (Average price per tonne received less Full Cash Costs times by tonnes sold).

The outcomes of the LTI awards issued for the period 1 July 2013 to 30 June 2016 are summarised in the table below:

Target	Instrument	Weighting	Outcome
Total Shareholder Return	Performance rights	25%	Not achieved
	Share appreciation rights	25%	Not achieved
Earnings Per Share (EPS)	Performance rights	25%	Not achieved
	Share appreciation rights	25%	Not achieved

As shown in the table above, as a result of the Company's share price depreciation and earnings performance over the period, the Total Shareholder Return and Earnings Per Share target were not met and therefore no performance or share appreciation rights were issued relating to the LTI award issued for the period 1 July 2013 to 30 June 2016.

5. EXECUTIVE CONTRACTUAL ARRANGEMENTS

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

The agreements relating to remuneration for the 2016 financial year are set out below:

	D. Harris[1]	D. Flanagan[2]	M. Hancock[3]	J. Sinclair[4]	T. Walsh[5]
TFR per annum	$818,783	$669,790	$492,750	$491,861	$450,000
Resignation notice	60 days	6 months	3 months	3 months	3 months
Termination notice for cause	None	None	None	None	None
Termination notice without cause	30 days	12 months	6 months	6 months	6 months
Termination in case of illness, injury or incapacity	None	3 months	3 months	3 months	3 months
STI target % of TFR FY 2016	None	50%	40%	40%	40%
Redundancy	NES*	NES*	Greater of 4 weeks for every year of service or 6 months	Greater of 4 weeks for every year of service or 6 months	Greater of 4 weeks for every year of service or 6 months

[1] CEO and Managing Director – contract due to end 27 September 2016.
[2] Managing Director and CEO – retired effective 5 August 2016.
[3] Chief Commercial Officer up to 1 September 2015 appointed Chief Financial Officer 1 September 2015.
[4] Chief Operations Officer.
[5] Company Secretary and Head of Corporate. Appointed as Executive Director 5 August 2016.
* 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 addition KMPs were issued zero price incentive options in November 2015 which vested on 6 May 2016. In line with market practice, a minimum shareholding obligation is not enforced. As mentioned above, the Board is currently 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 and resilient 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 its 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 some 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 any other executive director as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of 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 from the 6th May 2016 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.

Fees (including superannuation payments) are as follows:

Director Fees (including superannuation)	**$**
Chairman to 6 May	180,000
Chairman from 6 May	200,000
Non-Executive Directors to 6 May	115,276
Non-Executive Directors from 6 May	150,000

	Remuneration and Nomination Committee $	**Audit and Risk Committee $**
Committee Chair to 6 May	8,500	12,750
Committee Member to 6 May	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		Accounting value of long term benefits (Non-Cash)			Total $	% of remuneration performance based
	Salary & fees	STI (3)	Short-term compensated absences	Other (1)	Super-annuation	Termination benefit	Movement in long service leave provision	Rights (2)	Options (4)		STI and Rights
Directors											
Non-executive directors											
Eugene Davis- Appointed as Chairman effective 6 May 2016											
2016	26,456	-	-	-	-	-	-	-	-	26,456	0%
2015	-	-	-	-	-	-	-	-	-	-	0%
Cheryl Edwardes (Hon) - Appointed as Director effective 6 May 2015, Chairmain from 11 June 2015 up to 6 May 2016, Director from 6 May 2016											
2016	165,546	-	-	-	15,727	-	-	-	-	181,273	0%
2015	12,736	-	-	-	1,210	-	-	-	-	13,946	0%
Alan Carr - Appointed as Director effective 6 May 2016											
2016	22,984	-	-	-	-	-	-	-	-	22,984	0%
2015	-	-	-	-	-	-	-	-	-	-	0%
Sook Yee Tai - Resignation effective 12 November 2015											
2016	44,341	-	-	-	4,212	-	-	-	-	48,554	0%
2015	115,672	-	-	-	10,989	-	-	-	-	126,660	0%
Jeff Dowling - Resignation effective 6 May 2016											
2016	104,213	-	-	-	9,900	-	-	-	-	114,113	0%
2015	131,267	-	-	-	12,470	-	-	-	-	143,737	0%
Executive directors											
David Flanagan (Chairman up to 11 June 2015, appointed Managaging Director 11 June 2015, retired effective 5 August 2016)											
2016	627,576	94,254	-	-	59,620	-	-	-	564,606	1,346,056	49%
2015	350,758	-	-	-	33,322	-	-	-	-	384,080	0%
Daniel Harris - (Appointed as Director effective from 6 May 2016 up 27 June 2016, appointed CEO and Managing Director 27 June 2016)											
2016	30,206	-	-	-	-	-	-	-	-	30,206	0%
2015	-	-	-	-	-	-	-	-	-	-	0%
Ken Brinsden (Managing Director up to 11 June 2015, appointed Executive Director 11 June 2015 to 15 September 2015, appointed Non Executive Director from 15 September 2015, resignation effective 6 May 2016)											
2016	184,061	-	109,055	14,605	30,000	790,232	69,722	-	-	1,197,675	0%
2015	671,184	-	(4,011)	-	58,793	-	11,604	(62,221)	-	675,349	-9%
Key Management Personnel (KMP)											
Mark Hancock (Chief Commercial Officer up to 1 September 2015, appointed Chief Financial Officer 1 September 2015)											
2016	462,750	55,473	6,833	-	30,000	-	45,538	75,562	332,295	1,008,450	46%
2015	467,880	-	(37,751)	-	30,000	-	28,228	(18,343)	-	470,014	-4%
Jeremy Sinclair (Chief Operations Officer)											
2016	461,671	55,373	5,590	-	30,000	-	48,878	74,142	331,695	1,007,348	46%
2015	471,467	-	(11,906)	-	29,995	-	24,421	(18,002)	-	495,975	-4%
Brian Lynn (Chief Financial Officer - Appointed 20 January 2014, Resignation effective 1 September 2015)											
2016	94,317	-	-	-	7,500	-	-	-	-	101,817	0%
2015	378,716	-	11,562	-	30,000	-	-	-	-	420,278	0%
Tony Walsh (Company Secretary - Appointed 12 October 2015)											
2016	294,688	36,364	(993)	-	28,246	-	-	-	303,466	661,770	51%
2015	-	-	-	-	-	-	-	-	-	-	0%
Total											
2016	**2,518,809**	**241,464**	**120,485**	**14,605**	**215,205**	**790,232**	**164,137**	**149,704**	**1,532,061**	**5,746,702**	**33%**
2015	**2,599,679**	**-**	**(42,106)**	**-**	**206,779**	**-**	**64,253**	**(98,566)**	**-**	**2,730,039**	**-4%**

Superannuation is paid on salaries, fees and STI.

(1) Mr Brinsden's disclosure includes his reportable benefit for FBT.

(2) Rights comprise fair value at grant of performance rights and share appreciation rights. Subsequent to the year end the Board resolved not to vest any LTI's relating to the performance period 1 July 2013 to 30 June 2016.

(3) Comprises STI awarded based on current year performance.

(4) Accounting fair value of employee share options at grant date. Actual value to the individuals will depend on the Atlas share price at date of exercise or sale.

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 in Section 3.22. Based on cash earnings and safety performance for FY 2016, an aggregate of $808,000 STI's were awarded to all employees which is due to be paid in September 2016. Details of the portion of the maximum STI that were earned and forfeited in relation to the 2016 financial year is detailed above:

	Included in remuneration (inclusive of superannuation) $	Earned during 2016	Forfeited during 2016
David Flanagan	94,251	30.8%	69.2%
Mark Hancock	55,472	30.8%	69.2%
Jeremy Sinclair	55,372	30.8%	69.2%
Tony Walsh	36,364	30.8%	69.2%

The STI forfeited in the year was as a result of the Group not achieving its internal corporate targets in full.

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 FY 2016, that are held by KMP at 30 June 2016 are detailed below:

Number of PRs	PRs held at the beginning of year 1 July 2015	PRs Granted during 2016	Forfeited	Vested	Other	PRs at the end of year 30 June 2016
Executive Directors						
Ken Brinsden*	987,638	-	(500,448)	-	-	487,190
Executives						
Mark Hancock	304,909	-	(77,197)	-	-	227,712
Jeremy Sinclair	299,190	-	(75,757)	-	-	223,433
Total	**1,591,737**	**-**	**(653,402)**	**-**	**-**	**938,335**

* Resignation effective 6 May 2016.

Number of SARs	SARs held at the beginning of year 1 July 2015	SARs Granted during 2016	Forfeited	Vested	Other	SARs at the end of year 30 June 2016
Executive Directors						
Ken Brinsden*	2,302,994	-	(1,148,251)	-	-	1,154,743
Executives						
Mark Hancock	711,304	-	(171,578)	-	-	539,726
Jeremy Sinclair	697,961	-	(168,377)	-	-	529,584
Total	**3,712,259**	**-**	**(1,488,206)**	**-**	**-**	**2,224,053**

* Resignation effective 6 May 2016.

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 LTIP 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, the following shares were issued to KMPs on the exercise of zero priced incentive options previously granted as compensation:

	Number of shares	Amount paid per share $
Executives		
Mark Hancock	5,000,000	0.00
Jeremy Sinclair	6,285,004	0.00
Tony Walsh	11,239,465	0.00

There were no amounts unpaid on the shares issued as a result of the exercise of the options in FY 2016.

Analysis of options granted as compensation

Details of options over ordinary shares in Atlas Iron Limited that were granted during FY 2016 as compensation to Directors, Executives and Key Management Personnel is detailed below:

	Grant Date	No. of Options Granted During FY 2016	Vesting Date	Fair Value at Grant Date*	Exercise Price per Option	Expiry Date	Number of Options Vested During FY 2016
Directors							
David Flanagan	6/11/2015	20,911,333	6/05/2016	564,606	0.00	13/11/2020	20,911,333**
Executives							
Mark Hancock	6/11/2015	12,307,211	6/05/2016	332,295	0.00	13/11/2020	12,307,211
Jeremy Sinclair	6/11/2015	12,285,004	6/05/2016	331,695	0.00	13/11/2020	12,285,004
Tony Walsh	6/11/2015	11,239,465	6/05/2016	303,466	0.00	13/11/2020	11,239,465

* The fair value of options granted during the year is calculated at grant date using the closing share price. The total is allocated to remuneration over the vesting period.
** Options exercised in July 2016.

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

All options expire on the earlier of their expiry date or can be forfeited on termination of the individual's employment.

Analysis of movement in options

The movement during FY 2016, by value of options over ordinary shares granted in Atlas Iron Limited as remuneration held by each of the Directors, Executives and Key Management Personnel is detailed below:

	No of Options Granted (A)	Value of Options Granted (B) $	Value of Options Exercised (C) $	Value of Options Disposed (C) $	Value of Options Lapsed $
Directors					
Eugene Davis	-	-	-	-	-
Hon. Cheryl Edwardes (AM)	-	-	-	-	-
David Flanagan*	20,911,333	564,606	-	-	-
Alan Carr	-	-	-	-	-
Daniel Harris	-	-	-	-	-
Sook Yee Tai*	-	-	-	-	-
Jeff Dowling*	-	-	-	-	-
Ken Brinsden*	-	-	-	-	-
Executives					
Mark Hancock	12,307,211	332,295	109,500	-	-
Jeremy Sinclair	12,285,004	331,695	131,357	-	-
Tony Walsh	11,239,465	303,466	246,144	-	-
Total	**56,743,013**	**1,532,062**	**487,001**	**-**	**-**

(A) – Includes options granted as remuneration.
(B) – The value of options granted as remuneration during the year is the fair value of the options calculated at grant date using closing share price.
(C) – The value of options exercised, or disposed of, during the year is calculated as the market price of the shares of the Group calculated as the 5 day VWAP as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

*Directors and KMP who resigned during the current financial year.

7.3 Option holdings of Key Management Personnel

	Balance at beginning of year 1 July 2015	Options Granted (A)	Options Acquired (B)	Options Exercised	Other	Held at 30 June 2016 (vested & exercisable)
Directors						
Eugene Davis	-	-	-	-	-	-
Hon. Cheryl Edwardes (AM)	-	-	200,000	-	-	200,000
David Flanagan*	-	20,911,333	4,000,000	-	-	24,911,333
Alan Carr	-	-	-	-	-	-
Daniel Harris	-	-	-	-	-	-
Sook Yee Tai*	-	-	-	-	-	-
Jeff Dowling*	-	-	600,000	-	(600,000)	-
Ken Brinsden*	-	-	2,500,000	-	(2,500,000)	-
Executives						
Mark Hancock	-	12,307,211	600,000	(5,000,000)	-	7,907,211
Jeremy Sinclair	-	12,285,004	-	(6,285,004)	-	6,000,000
Tony Walsh	-	11,239,465	-	(11,239,465)	-	-
Total	-	**56,743,013**	**7,900,000**	**(22,524,469)**	**(3,100,000)**	**39,018,544**

(A) - Includes options granted as remuneration.
(B) - Includes options granted as free-attaching options with share purchase.

*Directors and KMP who resigned during the current financial year.

7.4 Shareholdings of key management personnel

	Balance at beginning of year 1 July 2015	Shares Purchased	Shares acquired on vesting of LTIP or exercise of option	Shares sold	Shares held at appointment/ departure	Held at 30 June 2016
Directors						
Eugene Davis	-	-	-	-	-	-
Hon. Cheryl Edwardes (AM)	8,100	200,000	-	-	-	208,100
David Flanagan*	2,840,000	4,000,000	-	-	-	6,840,000
Alan Carr	-	-	-	-	-	-
Daniel Harris	-	-	-	-	-	-
Sook Yee Tai*	-	-	-	-	-	-
Jeff Dowling*	125,000	600,000	-	-	(725,000)	-
Ken Brinsden*	709,745	2,500,000	-	-	(3,209,745)	-
Executives						
Mark Hancock	554,734	600,000	5,000,000	(5,000,000)	-	1,154,734
Jeremy Sinclair	25,214	-	6,285,004	(6,285,004)	-	25,214
Tony Walsh	14,719	-	11,239,465	(11,254,184)	-	-
Brian Lynn*	25,000	-	-	-	(25,000)	-
Total	**4,302,512**	**7,900,000**	**22,524,469**	**(22,539,188)**	**(3,959,745)**	**8,228,048**

*Directors and KMP who resigned during the current financial year.

Remuneration report ends here.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
David Flanagan	23	23	-	-	-	-
Hon. Cheryl Edwardes (AM)	23	23	3	3	2	2
Ken Brinsden (resigned 6 May 2016)	22	22	2	2	-	-
Jeff Dowling (resigned 6 May 2016)	22	21	3	3	2	2
Sook Yee Tai (resigned 12 November 2015)	11	8	1	1	2	2
Daniel Harris (appointed 6 May 2016)	1	1	-	-	-	-
Alan Carr (appointed 6 May 2016)	1	1	-	-	-	-
Eugene Davis (appointed 6 May 2016)	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 30 of the financial statements.

ROUNDING
The Group is of the kind specified in ASIC Corporations Instruments 2016/191, dated 1 April 2016. 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 93 and forms part of the Directors' Report for the financial year ended 30 June 2016.

NON-AUDIT SERVICES
Non-audit services provided by the Group's auditor, KPMG, and associated entities, during the year ended 30 June 2016 are disclosed in Note 26 to the financial statements.

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

Daniel Harris

CEO and Managing Director

Perth, 30 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
Revenue		785,755	718,474
Operating costs	2	(773,986)	(889,739)
Gross profit/(loss)		**11,769**	(171,265)
Other income	6	12,426	2,737
Exploration and evaluation expense		(3,526)	(5,189)
Impairment loss	3	(97,098)	(980,371)
Share of loss of equity accounted investees		(106)	(3,587)
(Loss)/gain on listed investments		-	(687)
(Loss)/gain on financial instruments		(5,863)	11,575
Depreciation and amortisation		(2,763)	(4,947)
Loss on sale of property, plant and equipment		(349)	(1,071)
Administrative expenses	5	(24,152)	(24,888)
Other expenses	7	(7,707)	(62,249)
Results from operating activities		**(117,369)**	(1,239,942)
Finance income	8	1,116	4,916
Finance expense	8	(35,143)	(36,458)
Loss on foreign exchange	8	(13,100)	(39,339)
Gain on debt restructure	19	5,482	-
Net finance expense		**(41,645)**	(70,881)
Loss before income tax		**(159,014)**	(1,310,823)
Tax expense	9	-	(67,003)
LOSS FOR THE YEAR		**(159,014)**	(1,377,826)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		-	(79)
Share of associates' movements in foreign currency translation reserve		(39)	329
Other comprehensive (loss)/income for the year		**(39)**	250
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		**(159,053)**	(1,377,576)
Loss attributable to:			
Owners of the parent		(159,014)	(1,377,689)
Non-controlling interest		-	(137)
		(159,014)	(1,377,826)
Total comprehensive loss attributable to:			
Owners of the parent		(159,053)	(1,377,450)
Non-controlling interest		-	(126)
		(159,053)	(1,377,576)
Loss per share			
Basic and diluted loss per share (cents per share)	25	(4.53)	(150.08)

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 2016

	Notes	2016 $'000	2015 $'000
CURRENT ASSETS			
Cash and cash equivalents	22(b)	80,853	73,305
Trade and other receivables	11	36,509	23,973
Prepayments	12	13,368	15,239
Financial assets		1,865	604
Inventories	13	16,728	15,604
TOTAL CURRENT ASSETS		**149,323**	128,725
NON-CURRENT ASSETS			
Other receivables	11	5,029	12,008
Prepayments	12	-	6,875
Investment in equity accounted investees		-	414
Property, plant and equipment	14	96,579	129,076
Intangibles		696	1,586
Mine development costs	15	297,660	338,222
Evaluation expenditure - reserve development	16	21,340	17,140
Mining tenements	17	62,594	141,414
TOTAL NON-CURRENT ASSETS		**483,898**	646,735
TOTAL ASSETS		**633,221**	775,460
CURRENT LIABILITIES			
Trade and other payables	18	64,346	110,319
Interest bearing loans and borrowings	19	3,632	3,581
Employee benefits		1,235	1,769
Provisions	20	9,602	7,214
Financial Liabilities		2,600	-
TOTAL CURRENT LIABILITIES		**81,415**	122,883
NON-CURRENT LIABILITIES			
Trade and other payables	18	6,822	4,000
Interest bearing loans and borrowings	19	185,716	335,939
Employee benefits		782	569
Provisions	20	88,820	91,409
TOTAL NON-CURRENT LIABILITIES		**282,140**	431,917
TOTAL LIABILITIES		**363,555**	554,800
NET ASSETS		**269,666**	220,660
EQUITY			
Share capital	21(a)	2,197,388	1,991,630
Reserves	21(d)	42,030	29,682
Accumulated losses		(1,969,752)	(1,810,738)
Other equity	21(f)	-	10,086
TOTAL EQUITY		**269,666**	220,660

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 2016

	Share capital	Share-based payments reserve	Associate's reserve	Accumulated (losses)	Other Equity	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2015	**1,991,630**	**30,045**	**(363)**	**(1,810,738)**	**10,086**	**220,660**
Total comprehensive loss for the year						
Loss for the year	-	-	-	(159,014)	-	(159,014)
Total other comprehensive loss	-	-	(39)	-	-	(39)
Total comprehensive loss for the year, net of tax	-	-	**(39)**	**(159,014)**	-	**(159,053)**
Contributions by and distributions to owners of the Group						
Issue of ordinary shares and options through debt restructure	124,354	9,273	-	-	-	133,627
Issue of ordinary shares through capital raising (net of costs)	78,593	-	-	-	(10,086)	68,507
Issue of ordinary shares through tenement acquisition	250	-	-	-	-	250
Treasury shares	65	-	-	-	-	65
Share based payment transactions	-	5,208	-	-	-	5,208
Transfers from share based payments	2,496	(2,496)	-	-	-	-
Derecognition of associate on loss of significant influence	-	-	402	-	-	402
Total transactions with owners of the Company	205,758	11,985	402	-	(10,086)	**208,059**
BALANCE AT 30 JUNE 2016	**2,197,388**	**42,030**	**-**	**(1,969,752)**	**-**	**269,666**

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**

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 2016

	Notes	2016 $'000	2015 $'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
Cash receipts from customers		754,155	725,882
Payments to suppliers and employees		(720,379)	(790,095)
Interest received		854	2,315
Payments for expenditure on exploration and evaluation activities		(3,525)	(5,189)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	22(a)	**31,105**	(67,087)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(605)	(15,234)
Payments for mine development		(9,777)	(82,007)
Payments for intangible assets		(81)	(411)
Payment for reserve development costs		(4,750)	(4,774)
Payments for interests in equity accounted investees		-	(250)
Loan to joint venture		(264)	(1,311)
Loan to joint operation partner		-	(6,636)
Net proceeds received from sale of tenements		-	528
Net proceeds from financial assets		-	1,020
Proceeds from release of bank guarantees		91	21,248
Proceeds from other entities including associated entities		27	1,788
Stamp duty paid in relation to acquisition of tenements		(2,581)	(1,694)
Net (payments)/proceeds from financial instruments		(5,467)	6,675
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(23,407)**	(81,058)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Debt restructure costs		(16,104)	-
Repayment of Term Loan B		(16,938)	(3,394)
Net repayments from pre-export finance		-	(14,304)
Interest payments on borrowing facilities		(29,537)	(30,650)
Proceeds from royalty assistance program		21,511	-
Repayment of royalty assistance program		(6,147)	-
Dividends paid		-	(16,229)
Proceeds from/(payments for) issue of shares (net of costs)		46,584	(1,744)
Repayment of finance lease		(1,292)	-
Payments for shares acquired by Atlas Iron Employee Share Trust		-	(219)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(1,923)**	(66,540)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,775**	(214,685)
Cash and cash equivalents at 1 July		73,305	264,242
Effect of exchange rate changes on cash and cash equivalents		1,773	23,748
CLOSING CASH AND CASH EQUIVALENTS	22(b)	**80,853**	73,305

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 2016 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 30 August 2016.

(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 Corporations Instruments 2016/191, dated 1 April 2016 and, in accordance with that Corporations Instrument, 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 2016, the Company has net assets of AU$269.7 million which have increased by AU$49.0 million since 30 June 2015 mainly from:

- completion of the Term Loan B debt for equity restructure in May 2016 which reduced the loan by US$132 million;
- lower operating costs due to the contractor collaboration agreement and other cost initiatives, a focus on cost control; and
- gross margin from increased tonnes shipped in the year ended 30 June 2016.

The above favourable movement in net assets is offset by non-cash impairment charge of AU$97.1 million due to continued volatility in iron ore price. The Company has positive net current assets as at 30 June 2016 of AU$67.9 million.

In May 2016 the Company successfully completed the restructure of its Term loan B. The key terms of the restructure are as follows:

- Atlas reduced its term loan debt from US$267 million to US$135 million;
- extended the maturity date from December 2017 to April 2021;
- reduced its cash interest expense by over 65% as result of the lower debt balance and reduced interest rate; and
- The TLB lenders were issued shares and options such that, immediately post the restructure, they held 70.0% of the Company's shares and options on issue. Refer to Note 19 for further details.

Under the completed restructure, the Asset Coverage Ratio test in the original loan agreement has now been replaced. It includes among other requirements a more transparent requirement that the Company has a minimum of AU$35 million in cash at the end of each month. As at 30 June 2016, the restructured debt remains in good standing and Atlas is in compliance with all obligations. The Company's net debt position (cash and cash equivalents less drawn debt facilities) is AU$108.5 million as at 30 June 2016 which is summarised as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2016	2015
	$'000	$'000
Cash	80,853	73,305
Debt	(182,172)	(349,121)
Finance Lease	(7,176)	-
Net debt	**(108,495)**	(275,816)

The Company prepares rolling 12 month cash flow forecasts. The cash flow forecast to August 2017 (the forecast period) has a positive working capital balance throughout that period.

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

- Forecast iron ore price for the forecast period of between AU$64 and AU$79 per tonne (benchmark IODEX 62% Fe CFR China). The USD 62% Fe CFR China price and the AU$:US$ foreign exchange rate, have been independently sourced.
- Estimated sale of 16.2 million tonnes for the 14 month period ended 31 August 2017.
- Forecast cost savings based on the contractor collaboration Deed for the Abydos and Wodgina mines.
- 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.
- Repayment of royalty relief in quarterly instalments (total of $12.3 million) during the period.

The cash flow forecast to August 2017 is highly dependent upon the achievement of USD iron ore price and AUD:USD exchange rate forecasts and the achievement of forecast operating cost and production outcomes.

On 29 August 2016, haulage provider McAleese Limited, a party to the contractor collaboration deed, announced that it had entered into voluntary administration and appointed McGrath Nicol as Administrators of the McAleese Group. Based on information available to the Company at this time, haulage of ore from its three mining operations will continue as normal in the short term whilst the Administrator assesses each business. It is the Director's expectation that McAleese will continue to provide contracted supply services beyond the short term. The Directors have considered the risks associated with any potential interruption of supply of haulage services beyond the short term. In such an event they are of the view that a reinstatement of the existing fleet or arrangement of alternative supply would be available to enable the continued transport of ore to port.

To illustrate the sensitivity to iron ore price, a downward movement in the independent forecasters forward prices of 5% would result in a net reduction in forecast working capital and cash of approximately AU$7 million by the end of August 2017 to forecast working capital of AU$47 million and cash of AU$45 million (assuming no change in the assumed US$:AU$ exchange rate).

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. The cash flow forecasts are highly sensitive to movements in the Australian dollar iron ore price which continue to be depressed in a challenging global iron ore market. A material uncertainty relates to the risk of a sustained decline from forecast prices during the forecast period or the production and cost assumptions contained in the forecast do not eventuate.

Should the key assumptions of the cash flow forecast not be achieved, the Company may breach the requirements of its Term Loan B. The Company may then be required to renegotiate terms with its lenders or source additional funds through debt or equity markets. In this regard the Directors would review other funding options, such as unsecured debt, convertible notes and offtake agreements with financing elements. The ability to renegotiate terms or access sufficient funds in this way represents a material uncertainty.

These material uncertainties related to future events give rise to significant doubt about the ability of the Company to continue as a going concern and realise its assets and extinguish its liabilities in an orderly manner at the amounts stated in the financial report.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2015. The Group applied for the first time AASB 2015-3 *Amendments to Australian Accounting Standards - Withdrawal of AASB 1031 Materiality* and AASB 2015-4 *Financial Reporting Requirements for Australian Groups with a Foreign Parent*. However these amendments did not impact the annual consolidated financial statements of the Group.

(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:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/decreases and changes in discount rates (2016: 2.55% (2015: 2.55%)). 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.

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) 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 3.

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.

(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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 29.

(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.

(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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 previous financial years, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 Groups 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) AASB 15 *Revenue from Contracts with Customers*: applicable to annual reporting periods beginning 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(ii) 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 *Business Combinations* 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 *Business Combinations* and other Australian Accounting Standards for business combinations.

Adoption of this amendment will not result in a material impact on the Group 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.

Adoption of this standard is expected not to materially impact the financial statements of the Group.

(v) AASB 16 *Leases*: applicable to annual reporting periods beginning on or after 1 July 2019.

Under AASB 16 *Leases* there is no longer a distinction between finance and operating leases as previously defined in AASB 117 *Leases*. Lessees will now bring to account a right-to-use asset and lease liability onto the statement of financial position for all leases. This means the vast majority of operating leases as defined by the current AASB 117 *Leases* which currently do not impact the statement of financial position will be required to be capitalised once AASB 16 is adopted.

From an income statement perspective operating leases are typically expensed on a straight line basis under AASB 117 *Leases*. The new treatment will result in both a depreciation and interest charge impacting on the income statement. Depreciation is likely to be on a straight basis however interest is higher in the initial years. This will have the effect of front loading expenses in the income statement which will reduce over the life of the lease. AASB 16 Lease is effective for reporting periods beginning on or after 1 July 2019 (early application possible if AASB 15 *Revenue from Contracts with Customers* is also adopted early).

The adoption of this new standard is expected to have a significant impact on all components of the Group financial statements. The statement of financial position will be impacted as all lessees will be required to bring to account a right-to-use asset and lease liability. From a statement of profit or loss perspective currently all operating leases are expensed on a straight line basis under AASB 117 *Leases* however on applying the new standard this will increase depreciation and interest charges. Depreciation will be on a straight basis however interest charges will be higher in the initial years of the lease. Additional disclosure requirements will be incorporated on adoption of the standard. The impact of this new standard where the Group act as lessor is expected to be minimal.

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

2. OPERATING COSTS

	2016 $'000	2015 $'000
Mining and processing	(205,826)	(224,590)
Haulage	(184,985)	(203,361)
Port	(110,076)	(128,859)
Shipping	(100,909)	(122,411)
Royalties	(63,143)	(55,842)
Depreciation and amortisation	(82,270)	(112,846)
Inventory write-down	(3,652)	(29,769)
Other operating costs (including contractor profit share)	(23,125)	(12,061)
	(773,986)	(889,739)

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:

- Volatile US dollar iron ore price, compounded by the volatile Australian dollar exchange rate during the year which impacts the feasibility and returns on mines and projects; and
- The continued gap between the Group's net asset book value and its market capitalisation.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Atlas has made an assessment of the recoverable amount of its assets as at 31 December 2015 and 30 June 2016.

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

	2016 $'000	2015 $'000
Disposal group and assets held for sale	-	(13,189)
Leasehold improvements	-	(2,278)
Investment in equity accounted investee (port assets)	-	(28,274)
Other receivables	(4,425)	(23,701)
Mine and reserve development assets	(9,803)	(202,266)
Property, plant and equipment	(4,170)	(7,003)
Mining tenements capitalised	(78,700)	(574,253)
Intangibles (port assets)	-	(68,630)
Goodwill	-	(60,777)
Impairment loss	**(97,098)**	(980,371)

Following is a break-down of the impairment loss by asset grouping:

	2016 $'000	2015 $'000
Horizon 1 mining properties	(13,273)	(176,951)
Horizon 2 projects	(79,400)	(606,571)
Goodwill and port assets	-	(179,482)
Disposal group and assets held for sale	-	(13,189)
Other	(4,425)	(4,178)
Impairment loss	**(97,098)**	(980,371)

3. IMPAIRMENT LOSS (CONTINUED)

Horizon 1 mining properties
Atlas' Horizon 1 mining properties relate to the assets and liabilities contained within its current operating mines (including the Corunna Downs development). During the year ended 30 June 2016, Atlas recognised an impairment loss for its Horizon 1 mining properties of $13,273,000 (property, plant and equipment of $4,170,000 (2015: $7,003,000) and mine and reserve development assets of $9,103,000 (2015: $169,948,000)).

The recoverable amount of the Horizon 1 mining properties was determined using life-of-mine value in use calculations based on life-of-mine cash flow projections from Board-approved financial budgets/forecasts and mine plans covering the life of the mine 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 11-13.5% (June 2015: 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:

Assumption	30 June 2016*		31 December 2015*	
	CFR 62% Fe $USD/DMT	AUD/USD	CFR 62% Fe $USD/DMT	AUD/USD
Not later than one year	48 – 53	0.73 – 0.73	39 – 46	0.70 – 0.73
Later than one year and not later than five years	47 – 65	0.73 – 0.80	50 – 60	0.73 – 0.76
More than five years	65 – 68	0.80 – 0.81	68 – 76	0.76 – 0.81

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

Sensitivity

Horizon 1 mining properties
The effect of a reasonably possible change as at 30 June 2016, 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 $'000	Impairment $'000
5% reduction in USD iron ore pricing	(118,000)	89,000
10% reduction in USD iron ore pricing	(261,000)	232,000
$5 per tonne increase in AUD operating costs	(198,000)	169,000
100 basis points increase in discount rate	(15,000)	-

Whilst the impact of each reasonable 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 exploration projects
Atlas' Horizon 2 exploration projects relate predominantly to the McPhee Creek and South East Pilbara exploration projects. During the year ended 30 June 2016, Atlas recognised an impairment loss for its Horizon 2 exploration projects of $79,400,000 (mining tenements capitalised of $78,700,000 (2015: $574,286,000) and reserve development assets of $700,000 (2015: $32,285,000).

When considering the fair value less cost to sell basis in determining the recoverable amount of the McPhee Creek project the Company has regard to implied valuations per reserve and resource tonnes of comparable projects and project cashflows. 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. In addition the recoverable amount of the McPhee Creek exploration project area considers the life-of-mine value in use calculations using cash flow projections from financial budgets and indicative mine plans covering the life-of-mine. The

3. IMPAIRMENT LOSS (CONTINUED)

nominal post-tax discount rate applied to cash flow projections was 15%. No impairment loss has been recognised on the McPhee Creek project for the year ended 30 June 2016.

The recoverable amount of the undeveloped South East Pilbara exploration project has been determined based on the implied valuations per reserve and resource tonnes of comparable projects, consistent with the methodology described above. An impairment loss of $70,500,000 has been recognised on the South East Pilbara exploration project.

Non-core tenements
An impairment loss of $8,900,000 has been recognised in relation to non-core tenements, which do not contain sufficient resources for the Company to pursue and have been, or are, in the process of being disposed of or surrendered.

Sensitivity

Horizon 2 – McPhee Creek
The effect of a reasonably possible change as at 30 June 2016, 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 2 – McPhee Creek, are detailed below:

Assumption	Impact on Value $'000	Impairment $'000
5% reduction in USD iron ore pricing	(40,000)	-
10% reduction in USD iron ore pricing	(80,000)	30,000
$5 per tonne increase in AUD operating costs	(65,000)	15,000
100 basis points increase in discount rate	(8,000)	-

Whilst the impact of each reasonable 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 – South East Pilbara
As at 30 June 2016, 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 – South East Pilbara are detailed below:

Assumption	Impact on Fair Value $'000	Impairment $'000
10% change in implied valuations per reserve/resource tonne	(4,020)	4,020

Other Receivables
The Company fully impaired a loan receivable from Shaw River Manganese Ltd (Shaw River) totaling $4,425,000. This followed Shaw River being placed into voluntary administration on 22 January 2016.

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. All options granted during the year had a nil exercise price. The options granted to employees have an expiry date of 13 November 2020, and vested on 6 May 2016.

The fair value of the services received in return for the zero priced employee options granted was fair valued using the closing share price on the date of employee acceptance of the employee share options. See below for a summary of the key terms of the employee share option plan and fair value assumptions. This is considered to be a level one valuation technique within the fair value hierarchy. To remain entitled to the employee share options all Atlas employees had to remain in employment until date of vest.

4. SHARE-BASED PAYMENTS (CONTINUED)

Assumptions	Employee Option Plan (Zero Priced)
Vesting conditions	The Options will not vest until the first to occur of: - 31 December 2017 (the expiry date of the original Term Loan B Facility); - the existing Term Loan B is refinanced or restructured to the satisfaction of the Board in its absolute discretion; or - a Change of Control Event occurs, as that term is defined in the Rules.
Test date	6 November 2015
Performance period	Earliest vesting period noted above
Expiry date	13 November 2020
Share price at grant date (Fair value)	2.7 cents (Closing AGO share price - 6 November 2015)
Number of options granted	189,803,513

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 movement during the year:

	2016		2015	
	Number of options	**Weighted average Exercise price**	Number of options	Weighted average Exercise price
Outstanding at the beginning of the year	100,000	4.20	11,685,000	2.79
Granted	189,803,513	0.00	0.00	0.00
Exercised	(92,443,627)	0.00	0.00	0.00
Cancelled/lapsed	(7,632,681)	0.06	(11,585,000)	2.78
Outstanding at year end	**89,827,205**	**0.00**	100,000	4.20
Exercisable at year end	**89,827,205**	**0.00**	100,000	4.20

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.40 years (2015: 0.50 years), with an exercise price of nil. The weighted average price of shares at the date of exercising options was $0.02 (2015: nil).

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 2016.

During a 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) 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	**2016** **Number of rights**	2015 Number of rights
Balance at 1 July	4,833,734	7,452,542
Granted during the year	-	-
Vested during the year	-	-
Forfeited during the year	(1,928,391)	(2,618,808)
Balance at 30 June	**2,905,343**	4,833,734

4. SHARE-BASED PAYMENTS (CONTINUED)

Performance rights	2016 Number of rights	2015 Number of rights
Balance at 1 July	2,070,984	3,270,047
Granted during the year	-	-
Vested during the year	-	(210,877)
Forfeited during the year	(845,213)	(988,186)
Balance at 30 June	**1,225,771**	2,070,984

Modifications

The board permitted Ken Brinsden 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.

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

	2016 $'000	2015 $'000
Expenses arising from share-based payment transactions		
Employee share option plan	(4,875)	-
Salary Sacrifice and Matched Shares Plan	(56)	97
Performance and share appreciation rights	(277)	(355)
Total	**(5,208)**	(258)

5. ADMINISTRATIVE EXPENSES

	2016 $'000	2015 $'000
Salaries and benefits*	(8,895)	(9,816)
Corporate expenses	(2,055)	(2,575)
Consultancy expenses	(3,482)	(4,182)
Building and properties	(8,828)	(6,966)
Other expenses	(892)	(1,349)
	(24,152)	(24,888)

* Contributions of $1,565,000 were made during the year (2015: $3,475,000) to defined contribution plans.

Expenses comprise costs for both corporate activities and shared services.

6. OTHER INCOME

	2016 $'000	2015 $'000
Rehabilitation provision adjustment	3,888	287
Fuel tax rebate	1,983	-
Royalty provision reversal	4,000	-
Rental Income	2,555	2,450
	12,426	2,737

7. OTHER EXPENSES

	2016 $'000	2015 $'000
Restructuring costs - onerous lease	(2,716)	(19,514)
Restructuring costs - other	(1,067)	(8,578)
Total restructuring costs	**(3,783)**	(28,092)
Suspension costs	-	(24,711)
Care and maintenance	(1,079)	(1,734)
Business combination expense	(239)	(3,566)
Other	(2,606)	(4,146)
	(7,707)	(62,249)

Atlas has an onerous lease in which the lease payments are expected to exceed the rental income. Refer to Note 20 for further details.

8. NET FINANCE INCOME/(EXPENSE)

	2016 $'000	2015 $'000
Interest income	941	4,006
Interest accretion	175	910
Finance income	**1,116**	4,916
Interest expense – Term Loan B	(29,681)	(29,626)
Amortisation of debt establishment costs	(3,493)	(4,423)
Other finance expenses	(1,969)	(2,409)
Finance expense	**(35,143)**	(36,458)
Net loss on foreign exchange	(13,100)	(39,339)
Gain on debt restructure	5,482	-
Net finance expense	**(41,645)**	(70,881)

9. INCOME TAX

	2016 $'000	2015 $'000
The major components of income tax are:		
Deferred income tax:		
Relating to origination and reversal of temporary differences	-	67,003
Adjustments in respect to prior year	-	-
Tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income	**-**	67,003

9. INCOME TAX (CONTINUED)

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:

	2016 $'000	2015 $'000
Accounting loss before income tax	(159,014)	(1,310,823)
At the Group's statutory income tax rate of 30% (2015: 30%)	**(47,704)**	(393,247)
Other non-deductible	1,531	1,789
Equity accounting for share of loss of associates and joint ventures	32	1,076
Adjustment in respect of prior year	-	-
Impairment:		
- Goodwill	-	18,233
- Tenements	-	6,454
- Equity accounted investments	-	15,608
Gain on debt restructure	(8,281)	-
Temporary differences not brought to account	54,422	121,388
Prior years losses derecognised	-	295,702
Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income	**-**	67,003

2016

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

	2015 $'000	**Recognised in profit or loss**	**2016 $'000**
Deferred income tax at 30 June relates to the following:			
CONSOLIDATED			
Deferred income tax liabilities (DTL)/Deferred income tax assets (DTA)			
Mining tenements capitalised	26,569	23,605	50,174
Mine development costs	(6,195)	(16,887)	(23,082)
Prepayments and accruals	1,867	(1,867)	-
Other assets	1,114	6,383	7,497
Cash and interest bearing loans	28,361	(27,828)	533
Plant and equipment	(12,181)	10,476	(1,705)
Reserve improvement	(5,142)	(1,260)	(6,402)
Provisions	29,815	6,449	36,264
Employee benefits	701	(97)	604
Carried forward tax losses	416,026	29,461	445,487
	480,935	28,435	509,370
Less deferred tax assets not recognised	(480,935)	(28,435)	(509,370)
	-	-	**-**

9. INCOME TAX (CONTINUED)

2015

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

	2014 $'000	Recognised in profit or loss	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)	-

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

Deferred tax assets not recognised

	2016 $'000	2015 $'000
Temporary differences	63,883	18,638
Tax losses	442,944	459,948
Capital losses	2,543	2,349
	509,370	480,935

10. DIVIDENDS PAID AND PROPOSED

Declared and paid during the year:

	2016 $'000	2015 $'000
Dividends paid on ordinary shares:		
Final unfranked dividend for 2014: 2.0 cents per share paid on 6 October 2014.	-	18,314
Dividends declared on ordinary shares:		
Final unfranked dividend for 2016: nil (2015: nil)	-	-

The dividend franking account has a nil balance as at 30 June 2016 (2015: nil).

11. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Current		
Trade receivables*	5,804	12,182
Provisional pricing**	24,793	8,873
Security deposits***	5,912	2,918
	36,509	23,973
Non–current		
Security deposits***	4,656	7,795
Loan receivable from joint arrangements (Note 27(b))	373	116
Other	-	4,097
	5,029	12,008

* There are no trade receivables past due but not impaired (2015: nil).
** Provisional pricing receivable relates to amounts receivable on provisionally priced commodity sales contracts that are yet to be settled. 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. The total bank guarantees on issue at period end are $10,336,000 (2015: $10,357,000).

12. PREPAYMENTS

	2016 $'000	2015 $'000
Current	13,368	15,239
Non-current	-	6,875
	13,368	22,114

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 $10,313,000 was recognised during the current financial year (2015: $9,282,000). Disclosed within Prepayments – Current is the amount expected to be recouped within the next 12 months, being $6,875,000 (2015: $10,313,000). The remaining prepayment balance consists primarily of amounts paid in advance to certain contractors for services to be rendered in July.

13. INVENTORIES

	2016 $'000	2015 $'000
Consumables – at cost	179	708
Work in progress – at cost	6,904	5,790
Finished goods – at cost	9,645	9,106
	16,728	15,604

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2016 amounted to $3,652,000 (2015: $29,769,000). The expense has been included in operating costs in the consolidated statement of profit or loss and other comprehensive income (Refer Note 2).

14. PROPERTY, PLANT AND EQUIPMENT

	Notes	2016 $'000	2015 $'000
At cost		165,652	182,625
Accumulated depreciation		(69,073)	(53,549)
	14(a)	**96,579**	129,076

14. 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.

	2016 $'000	2015 $'000
Property		
Carrying amount at beginning	62,908	13,946
Transfers	(37,627)	45,791
Additions		
- Buildings	2,395	11,128
Impairment (Note 3)	(1,020)	(3,113)
Disposal	(145)	(3,014)
Depreciation expense	(3,900)	(1,830)
Carrying amount at end	**22,611**	62,908
Plant and equipment		
Carrying amount at beginning	65,580	129,897
Transfers	16,985	(46,108)
Additions	6,193	3,710
Disposals	(34)	(337)
Depreciation expense	(11,624)	(15,414)
Impairment (Note 3)	(3,149)	(6,168)
Carrying amount at end	**73,951**	65,580
Assets under construction		
Carrying amount at beginning	588	-
Transfers	(571)	18
Additions	-	570
Carrying amount at end	**17**	588
Total	**96,579**	129,076

15. MINE DEVELOPMENT COSTS

	2016 $'000	2015 $'000
At cost	774,253	756,160
Accumulated amortisation and impairment	(476,593)	(417,938)
	297,660	338,222
Mine development cost breakdown:		
Carrying amount at beginning	338,222	515,157
Additions*	7,948	67,604
Reassessment of rehabilitation asset	(1,965)	8,885
Transfers from property, plant and equipment	21,213	-
Impairment (Note 3)	(9,103)	(164,995)
Amortisation expense	(58,655)	(88,429)
Carrying amount at end	**297,660**	338,222

* Prior period includes 30% acquisition of Altura's portion of the Mt Webber joint operation.

16. EVALUATION EXPENDITURE – RESERVE DEVELOPMENT

	2016 $'000	2015 $'000
Evaluation expenditure – reserve development	**21,340**	17,140
Evaluation expenditure – reserve development breakdown:		
Carrying amount at beginning	17,140	49,615
Additions	4,900	4,796
Impairment (Note 3)	(700)	(37,271)
Carrying amount at end	**21,340**	17,140

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.

17. MINING TENEMENTS

	2016 $'000	2015 $'000
Tenement acquisition costs	**62,594**	141,414
Tenement acquisition cost breakdown:		
Carrying amount at beginning	141,414	716,874
Other acquisition	250	363
Disposals	(370)	(1,310)
Impairment (Note 3)	(78,700)	(574,253)
Transfers to assets held for sale	-	(260)
Carrying amount at end	**62,594**	141,414

18. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade payables*	13,314	30,890
Accrued expenses	22,124	52,294
Royalty payable	13,804	5,541
Royalty assistance program	12,292	-
Provisional pricing and rebates payable**	2,566	20,322
Other payables	246	1,272
	64,346	110,319
Non-current		
Royalty assistance program	3,073	-
Other payables and accruals	3,749	4,000
	6,822	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.

Trade and other payables are non-interest bearing.

19. INTEREST BEARING LOANS AND BORROWINGS

	2016 $'000	2015 $'000
Current		
Secured debt facility	2,697	3,581
Finance Lease	935	-
	3,632	3,581
Non-current		
Secured debt facility	179,475	345,540
Finance Lease	6,241	-
Borrowing costs	-	(9,601)
	185,716	335,939

Secured Debt Facility

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 was 5 years with an interest rate of LIBOR plus 7.50% (LIBOR floor of 1.25%). The facility was 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 had no earnings or net asset based maintenance covenants, but had an asset coverage covenant of 2:1 (Total Assets to Total Liabilities).

On 6 May 2016, Atlas completed a creditors' scheme of arrangement which implemented a restructure of the Term Loan B facility. The principal amount owing on the Loan was reduced to US$135,000,000 from US$267,000,000. For this reduction in the Loan, Atlas paid down US$10M and on completion issued to the Lenders 6,229,503,087 fully paid ordinary shared and 4,513,986,260 Options exercisable at $0.075. The term of the facility is 5 years (maturing April 2021) with an interest rate of LIBOR plus 4.33% (LIBOR floor of 1.25%) paid monthly plus Paid in Kind interest (capitalised monthly) of 3.00%. Atlas is required to maintain a minimum AU$35,000,000 in cash at the end of each month. A 100% cash sweep pay down has been introduced for any cash in excess of AU$80,000,000 at the end of each quarter. Atlas is in compliance with all covenant requirements as at 30 June 2016. The facility continues to be repaid at 1% per annum and then the remainder paid out on maturity. The facility remains secured over all assets of Atlas and each material subsidiary subject to agreed exceptions and in some certain circumstances, to obtaining third party consent.

The Company established a fair value of the shares and options issued of AU$133,627,000. The fair value of the shares was measured using the Atlas share price on the date of the completed restructure (6 May 2016: $0.02). This is considered to be level one on valuation technique within the fair value hierarchy. The fair value of the options issued was measured using a Black-Scholes model, with the following inputs:

Assumptions	Debt Restructure options
Options granted	4,513,986,260
Expiry Date	31 July 2017
Test date	6 May 2016
Exercise price	7.5 cents
Share price at grant date	2.0 cents
Remaining life	1.08 years
Risk free rate	2.0%
Volatility	100%
Fair value on grant date	0.2 cents
Valuation hierarchy	Level 2

As required by accounting standards under IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* a gain of $5,482,000 was recognised in the income statement as the differences between the carrying value of the borrowings converted and the fair value of the equity issued. Establishment fees paid in relation to the facility have been fully amortised as part of the gain on restructure of the Term Loan B.

On 10 December 2012, Atlas also put in place an AU$50,000,000 three-year revolving facility. This facility expired on 9 December 2015 undrawn.

19. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Finance Lease

During the year, the Group entered into an arrangement whereby a supplier built a laboratory (buildings and equipment) which will be operated by the supplier under a finance lease agreement. On commencement the term of the lease was 7 years and the Company has recognised finance lease interest charges of AU$610,000 (2015: nil).

Facility	2016 Available funds $'000	2016 Amount drawn $'000	2015 Available funds $'000	2015 Amount drawn $'000
Term Loan B facility*	182,172	182,172	349,121	349,121
Three year revolving facility	-	-	50,000	-
Finance Lease	7,176	7,176	-	-
Balance at end of year	**189,348**	**189,348**	399,121	349,121

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

20. PROVISIONS

	2016 $'000	2015 $'000
Current		
Rehabilitation and demobilisation	3,141	3,062
Onerous lease	3,444	3,135
Other	3,017	1,017
	9,602	7,214
Non-current		
Rehabilitation and demobilisation	63,010	68,531
Onerous lease	25,810	22,878
	88,820	91,409
Provisions breakdown:		
Carrying amount at beginning	98,623	70,718
Provisions made during the year	2,487	34,556
Provisions used during the year	(3,535)	(7,992)
Unwind of discount	847	1,341
Carrying amount at end	**98,422**	**98,623**

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.

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

(a) Issued and paid up capital

	Notes	**2016** Number of shares '000	**2016** $'000	2015 Number of shares '000	2015 $'000
(i) share capital					
Ordinary shares fully paid	21(b)	8,995,754	2,197,388	919,045	1,991,630
		8,995,754	**2,197,388**	919,045	1,991,630

(b) Movements in share capital and other equity securities

	2016 Number of shares '000	**2016** $'000	2015 Number of shares '000	2015 $'000
Beginning of the financial year	919,045	1,991,630	915,161	1,989,359
Issued during the year:				
- Ordinary shares issued through employee share scheme	92,444	2,496	-	-
- Ordinary shares issued for cash (net of transaction costs)	1,078,440	44,630	-	-
- Ordinary shares issued through contractor collaboration agreement	666,322	33,963	-	-
- Ordinary shares issued through debt restructure	6,229,503	124,354	-	-
- Ordinary shares issued through tenement acquisition	9,960	250	-	-
- Ordinary shares issued upon vesting of performance rights	-	-	205	129
- Treasury shares	40	65	(95)	56
- Ordinary shares issued through dividend reinvestment plan	-	-	3,774	2,086
End of the financial year	**8,995,754**	**2,197,388**	919,045	1,991,630

On the back of establishing the contractor collaboration model the Company issued a prospectus in June 2015 and during the period completed a successful capital raising. By the 24th of July 2015, the Company had 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.

On 23 December 2015, the Company announced that it had entered a Restructuring Support Agreement (RSA) with more than 75% of the Term Loan B lenders and an amendment to its existing Syndicated Facility Agreement whereby the Company agreed to, among other things, pay down US$10 million and issue shares and options to the Term Loan B lenders in exchange for the lenders retiring US$122 million of the TLB debt. On the 6 May 2016, the Company completed implementation of the Creditors' Scheme and issued to the Term Loan B Lenders 6,229,503,087 fully paid ordinary shares at $0.02 and 4,513,986,260 Options exercisable at $0.075 on or before 31 July 2017. Refer to Note 19 for further details on the debt restructure.

(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

	2016 $'000	2015 $'000
Share-based payments reserve	42,030	30,045
Associates' reserve	-	(363)
Total reserves	**42,030**	29,682

Refer to statement of changes in equity for details of movements.

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

	Weighted average exercise price $	Number of Listed Options	Number of Unlisted Options
Balance at the beginning of the period	4.20	-	100,000
Options granted	0.07	6,258,748,303	189,803,513
Options exercised	0.00	-	(92,443,627)
Options forfeited	0.00	-	(7,532,681)
Options expired	4.20	-	(100,000)
Total number of options outstanding as at 30 June 2016	**0.07**	**6,258,748,303**	**89,827,205**

(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

	2016 $'000	2015 $'000
Shares to be issued	-	10,086

On 25 June 2015, Atlas obtained shareholder approval for the issue of contractor shares and any 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.

22. STATEMENT OF CASH FLOWS

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

	2016 $'000	2015 $'000
Net loss	(159,014)	(1,377,826)
Non-cash items		
Depreciation and amortisation of non-current assets	85,033	117,794
Share-based payment expense/(income)	5,249	(258)
Impairment loss	97,098	980,371
Inventory write-down	3,652	29,769
Loss on disposal of fixed assets	349	1,071
Net foreign exchange loss	13,100	39,339
Amortisation of debt establishment costs	3,493	4,423
Net interest expense/(income) - other	1,460	(1,977)
Interest expense on borrowing facilities	30,180	30,750
Business combination expense	239	3,566
Gain/(loss) on financial instruments	5,863	(7,276)
Share of loss of equity accounted investees	106	3,587
Change in fair value of financial assets	-	687
Gain on debt restructure	(5,482)	-
Restructuring costs – onerous lease	2,579	19,514
BGC settlement	-	20,842
Rehabilitation provision adjustment	(3,251)	-
Tax expense	-	67,003
Other	(5,444)	(936)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(10,350)	25,888
(Increase)/decrease in prepayments	(328)	4,108
(Increase)/decrease in inventories	(6,323)	23,886
Decrease in trade and other payables	(30,133)	(49,541)
Decrease in employee entitlements	(321)	(3,083)
Increase in provisions	3,350	1,212
Net cash inflow/(outflow) from operating activities	**31,105**	(67,087)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

	2016 $'000	2015 $'000
Cash at bank and in hand	80,853	73,305
Short term deposits	-	-
Closing cash and cash equivalents balance	**80,853**	73,305

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.

22. STATEMENT OF CASH FLOWS (CONTINUED)

(c) Non-cash financing and investing activities

The Company through a non-cash financing activity completed a debt to equity conversion which saw the Term Loan B reduced to US$135,000,000 in exchange for 6,229,503,087 fully paid ordinary shares and 4,513,986,260 options exercisable at 7.5 cents (AUD) on or before 31 July 2017 issued to the lenders. The maturity date of this reduced debt has been extended from December 2017 until April 2021. Refer to Note 19 for further details on the debt to equity swap. The Company via a non-cash investing activity completed an asset acquisition of a laboratory building and equipment by means of a finance lease.

During the prior year, Atlas through a non-cash investing activity gained 100% ownership of the Mt Webber mine joint operation as a result of debt forgiveness. There were no other non-cash financing and investing activities for the year ending 30 June 2016 (2015: nil).

23. 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:

	2016	2015
	$'000	$'000
Not later than one year	5,822	4,917
Later than one year and not later than five years	19,272	17,689
More than five years	51,358	47,260
	76,452	69,866

(b) Contractual commitments

	2016	2015
	$'000	$'000
Other		
Not later than one year	28,370	59,842
	28,370	59,842

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

	2016	2015
	$'000	$'000
Not later than one year	8,336	10,274
Later than one year and not later than five years	31,306	31,938
More than five years	23,469	33,221
Aggregate expenditure contracted for at reporting date	**63,111**	75,433

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 $9,962,000 was recognised in profit or (loss) in respect of operating leases (2015: $10,691,000).

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

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

	2016	2015
	$'000	$'000
Not later than one year	1,494	2,157
Later than one year and not later than five years	3,029	4,513
Aggregate expenditure contracted for at reporting date	**4,523**	6,670

A number of leases include a clause to enable upward revision of the rental charge on a bi-annual basis according to prevailing market conditions. Refer to Note 20 for onerous lease discussion.

(d) Guarantees
No guarantees were provided in the financial year.

24. SUBSEQUENT EVENTS

On 28 June 2016, Mr Flanagan resigned as Managing Director, and finished with the Company on 5 August 2016. Non-Executive Director, Mr Harris, has been appointed as Managing Director and Chief Executive Officer and will continue in this role until a permanent replacement is appointed and commences employment with the Company. Thereafter, Mr Harris will revert to being a Non-Executive Director of the Company.

On 29 August 2016, haulage provider McAleese Limited announced that it had entered into voluntary administration (Refer to Note 1(a)) and appointed McGrath Nicol as administrators of the McAleese Group.

No other matters have arisen since 30 June 2016, 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.

25. LOSS PER SHARE

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

	2016	2015
	$'000	$'000
Net loss	(159,014)	(1,377,826)
Loss used in calculating basic loss per share	**(159,014)**	(1,377,826)

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

	2016	2015
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	**3,508,760,155**	918,035,916

Effect of dilutive securities:
Atlas' potential ordinary shares at 30 June 2016 and 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.

26. AUDITOR'S REMUNERATION

	2016	2015
	$	$
Audit or review of the financial report of the Group	245,000	277,500
Audit and review services	**245,000**	277,500
Investigating accountant's report - Prospectus	4,300	400,944
Accounting advisory services	-	31,900
Contractor Collaboration Model – Agreed upon procedures	24,500	-
Royalty Assistance Program – Agreed upon procedures	21,500	-
Other services provided to the Group	-	24,500
Other services	**50,300**	457,344
	295,300	734,844

27. RELATED PARTY DISCLOSURES

The financial statements include the financial statements for the Group and the subsidiaries listed in Note 30.

(a) Key management personnel and Director related transactions

Sook Yee Tai, a Non-Executive Director of the Group (resigned effective 12 November 2015) was also the Managing Director of IMC Industrial Group (resigned 18 December 2015). During the period, the Group sold iron ore to IMC Resources (China) Ltd, a subsidiary of IMC Industrial Group to the value of US$4,732,791 net CFR (2015: US$4,065,000). As at 30 June 2016, 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 US$973,145 (2015: US$1,534,000) none of which was outstanding as at 30 June 2016 (2015: 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.

	2016	2015
	$'000	$'000
Short term	2,896	3,020
Long term	164	64
Post-employment	1,005	548
Share-based payment	1,682	(273)
	5,747	3,359

(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
NWI Pty Limited	**2016**	63.00	373	-
	2015	63.00	116	(199)
Centaurus Metals Limited[1]	**2016**	9.14	-	-
	2015	20.48	-	(250)

[1] As a result of the Group's diluted interest in Centaurus Metals Limited, the Group ceased equity accounting for CTM as an associate.
[2] Negative is an expense or outflow and positive is income or inflow.

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 2016, the Group has a loan receivable from NWI Pty Limited of $24,074,000 (2015: $23,817,000). An

27. RELATED PARTY DISCLOSURES (CONTINUED)

impairment of $23,701,000 recorded in year ended 30 June 2015 reduces the carrying value to $373,000 (2015: $116,000).

Centaurus Metals Limited
During the period, Centaurus Metals Limited (CTM) issued shares, diluting the Group's interest from 20.48% to 9.14%. As the Group was deemed to have lost significant influence, Atlas ceased equity accounting for CTM as an associate and commenced accounting for the retained interest at fair value through profit or loss.

28. 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.

29. 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.

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.

	2016	2015
	$'000	$'000
Financial Assets & Liabilities		
Level 1*		
Financial assets classified as held for trading	422	-
Level 2**		
Net Financial instruments – iron ore derivatives	(1,157)	604
	(735)	604

* 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).

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.

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

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	2016 $'000	2015 $'000
Cash and cash equivalents	22(b)	80,853	73,305
Trade and other receivables*	11	41,538	35,981
		122,391	109,286

* Includes trade receivables past due but not impaired of nil (2015: 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.

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 2016 $'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	182,172	(290,231)	(9,683)	(8,864)	(18,134)	(253,550)	-
Finance Lease	7,176	(9,279)	(763)	(763)	(1,525)	(4,576)	(1,652)
Trade and other payables	71,168	(71,168)	(49,928)	(14,418)	(6,822)	-	-
	260,516	**(370,678)**	**(60,374)**	**(24,044)**	**(26,481)**	**(258,126)**	**(1,652)**

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)	-

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 ultilising fixed priced sales contracts, cap/collar positions and option positions is aimed at providing

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

some protection against decreases in the US dollar iron ore price while maintaining some exposure to pricing upside. At 30 June 2016, the Group had approximately 1.5 million WMT subject to these contracts and positions at a range of US$40 to US$61 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's exposure at 30 June 2016 to the impact of movements in commodity prices upon provisionally invoiced sales volumes is set out in the following table.

Impact on profit or loss before tax of a 10% increase in market price

	2016	2015
	$'000	$'000
Iron Ore	**(1,179)**	-

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.

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 13% (2015: 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 are no contracts outstanding at 30 June 2016 or at 30 June 2015.

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 2016	**Notes**	**AUD $'000**	**USD $'000**	**Total $'000**
Cash and cash equivalents	22(b)	8,705	72,148	80,853
Trade and other receivables	11	16,741	24,797	41,538
Trade and other payables	18	(63,809)	(7,359)	(71,168)
Interest bearing loan	19	(7,176)	(182,172)	(189,348)
		(45,539)	**(92,586)**	**(138,125)**

30 June 2015	Notes	AUD $'000	USD $'000	Total $'000
Cash and cash equivalents	22(b)	21,323	51,982	73,305
Trade and other receivables	11	20,016	15,965	35,981
Trade and other payables	18	(91,136)	(23,183)	(114,319)
Interest bearing loan	19	-	(349,121)	(349,121)
		(49,797)	(304,357)	(354,154)

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

The following exchange rates applied during the financial year:

	Average rate		**Reporting date spot rate**	
	2016	2015	**2016**	2015
US$	**0.7283**	0.8382	**0.7426**	0.7680

Sensitivity analysis
A 5% fluctuation of the Australian dollar against the US dollar at 30 June 2016 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 2016				
+/-5%	-	4,409	-	(4,873)
	-	**4,409**	-	**(4,873)**
30 June 2015				
+/-5%	-	14,493	-	(16,019)
	-	14,493	-	(16,019)

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:

	2016	2015
	$'000	$'000
Fixed rate instruments		
Financial assets	10,568	10,466
Financial liabilities	(7,176)	-
	3,392	10,466
Variable rate instruments		
Financial assets	80,853	73,305
Financial liabilities	(182,172)	(349,121)
	(101,319)	(275,816)

Refer to Note 19 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.

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

	Profit or (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	$'000	$'000	$'000	$'000
30 June 2016				
Variable rate instruments	809	(809)	-	-
	809	**(809)**	**-**	**-**
30 June 2015				
Variable rate instruments	733	(733)	-	-
	733	(733)	-	-

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

Capital management
The Board's policy is to maintain a suitable 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 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 Group's Term Loan B facility formerly had a total asset secured debt covenant ('asset debt covenant') of 2:1, which was formally measured every six months. Under the new agreement this has been replaced with a minimum monthly cash requirement of AU$35,000,000 among other requirements. At 30 June 2016 the Group is in compliance with all requirements. A breach of the covenant would result in the Term Loan B facility becoming immediately payable.

The Group does not purchase its own shares, except where purchased under an employee share. 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.

30. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership 2016 (%)	Ownership 2015 (%)
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

(i) Atlas Iron Limited is the ultimate parent entity within the consolidated Group.
(ii) These companies are members of the Atlas tax consolidated Group.

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

31. PARENT COMPANY

As at and throughout the financial year ended 30 June 2016, the Parent entity of the Group was Atlas Iron Limited.

(a) Financial position of parent company at year end

	2016	2015
	$'000	$'000
Total current assets	223,839	133,772
Total non-current assets	666,776	1,135,210
TOTAL ASSETS	**890,615**	1,268,982
Total current liabilities	344,479	616,406
Total non-current liabilities	276,470	431,916
TOTAL LIABILITIES	**620,949**	1,048,322
NET ASSETS	**269,666**	220,660
TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:		
Issued capital	2,197,388	1,991,630
Reserves	43,395	30,557
Accumulated loss	(1,971,117)	(1,801,527)
TOTAL EQUITY	**269,666**	220,660
RESULTS OF PARENT ENTITY		
Loss for the year	(169,590)	(1,377,003)
Other comprehensive income for the year	(39)	329
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(169,629)**	(1,376,674)

(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 23(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 23.

DIRECTORS' 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 91 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 2016 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 2016.

(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 30th day of August 2016

Daniel Harris
CEO and 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 2016 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

Trevor Hart
Partner

Perth

30 August 2016

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 2016, and consolidated statement of profit or 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 31 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 2016 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.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion expressed above, attention is drawn to note 1(a), in the financial report. The matters set forth in note 1(a) indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

30 August 2016

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 30 September 2016.

(a) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Holder	Number of ordinary shares held	% Holding
Western Asset Management Co./Legg Mason Inc.	1,264,461,604	14.00%
Bain Capital Credit	1,007,201,656	11.32%
Marathon Asset Management, L.P.	1,016,110,313	11.12%
Glencore International AG/Maru Sky Limited	754,017,375	8.47%
BGC Contracting Pty Ltd	461,792,518	5.19%

(b) Ordinary Shares

The total number of shares on issue was 9,136,852,984 held by 29,735 registered shareholders. All ordinary shares currently on issue are freely tradeable.

Distribution of shareholders

Range	Total holders	Units	% of Issued Capital
1-1,000	5,053	2,674,324	0.03
1,001-5,000	8,778	23,926,469	0.26
5,001-10,000	3,518	26,964,433	0.30
10,001-100,000	7,742	315,272,674	3.45
101,000-and over	4,642	8,769,695,018	95.96
Total	29,735	9,136,532,984	100.00

Unmarketable Parcels

The minimum parcel size at $0.010 per unit is 50,000 shares. 22,565 shareholders hold unmarketable parcels.

Twenty Largest Shareholders

	Shareholder Name	Quantity	% of Total Holding
1	Citicorp Nominees Pty Limited	902,151,644	9.87
2	Maru Sky Limited	676,604,111	7.40
3	BGC Contracting Pty Ltd	461,792,518	5.05
4	John Hancock Fund Ii <Floating Rate Income A/C>	447,590,796	4.90
5	Sankaty High Income Partnership Lp	271,723,485	2.97
6	Western Asset Floating Rate High Income Fund Llc	242,642,533	2.66
7	Caterpillar Financial Australia Ltd	226,527,386	2.48
8	ICE Global Credit Clo Limited	158,569,170	1.74
9	Mountain Hawk Ii Clo Ltd	154,527,908	1.69
10	Mountain Hawk I Clo Ltd	153,118,886	1.68
11	Mr Meng Luo + Mrs Lan Liu <Luo & Liu Super Fund A/C>	125,450,000	1.37
12	Mountain Hawk Iii Clo Ltd	123,873,203	1.36
13	HSBC Custody Nominees <Australia>	123,485,121	1.35
14	Future Fund Board Of Guardians -2	117,321,165	1.28
15	Mr Benjamin Fedotov	101,005,259	1.11
16	BT Portfolio Services Limited <Warrell Holdings S/F A/C>	100,000,000	1.09
17	Sankaty Senior Loan Fund Lp	98,191,793	1.07
18	Benefit Street Partners Clo I Ltd	90,610,954	0.99
19	Merrill Lynch (Australia) Nominees Pty Limited <Mlpro A/C>	81,549,859	0.89
20	National Nominees Limited	72,897,660	0.80
	Top 20 Total	4,729,633,451	51.45

(c) Quoted Options – ASX code: AGOO

The total number of listed Options (ASX Code: AGOO) exercisable at 7.5 cents each expiring 30 June 2017 on issue was 1,744,762,043 held by 3,332 holders.

Distribution of Option holders

Range	Total holders	Units	% of Issued Capital
1-1,000	2	802	0.00
1,001-5,000	2	4,000	0.00
5,001-10,000	6	56,000	0.00
10,001-100,000	2,457	161,899,730	9.28
101,000-and over	865	1,582,801,511	90.72
Total	3,332	1,744,762,043	100.00

Twenty Largest Option holders – ASX code: AGOO

	Option holder 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	Citicorp Nominees Pty Limited	119,838,498	6.87
4	Maca Mining Pty Ltd	58,194,930	3.34
5	Mr Michael John Steer	55,461,710	3.10
6	Mr Tin Sheung Lau	22,000,000	1.26
7	Mr Ming Cao	20,000,000	1.15
8	Mr Ming Cao	20,000,000	1.15
9	National Nominees Limited	18,380,000	1.05
10	HSBC Custody Nominees <Australia>	16,580,000	0.95
11	JPMG Investments Pty Ltd <Foukes-Taylor S/F A/C>	15,540,000	0.89
12	Catercare Services Pty Ltd	13,265,311	0.76
13	Gangadhar Bevinakoppa + Savitridevi Bevinakoppa <Koppa Family Super Fund A/C>	12,000,000	0.69
14	Mrs Penpuck Denham	10,201,974	0.58
15	Global Advanced Metals Wodgina Pty Ltd	10,000,000	0.57
16	Mr Annivas Zaharis + Mrs Vasiliki Zaharis	8,300,000	0.48
17	J P Morgan Nominees Australia Limited	7,980,000	0.46
18	Mr Bruce Dixon	7,960,000	0.46
19	VIC Investments Management Group Pty Ltd	7,000,000	0.40
20	Mr Michael Cama + Mrs Frances <M & F Cama Super Fund A/C>	6,000,000	0.34
	Top 20 Total	1,170,494,941	67.09

Unmarketable Parcels

The minimum parcel size at $0.001 per unit is 500,000 options shares. 3,123 option holders hold unmarketable parcels.

ASX ADDITIONAL INFORMATION (continued)

(d) Quoted Options – ASX code: AGOOA

The total number of listed Options (ASX Code: AGOOA) exercisable at 7.5 cents each expiring 31 July 2017 on issue was 4,513,986,260 held by 60 holders.

Distribution of Option holders

Range	Total holders	Units	% of Issued Capital
1-1,000	0	0	0.00
1,001- 5,000	0	0	0.00
5,001- 10,000	0	0	0.00
10,001- 100,000	0	0	0.00
101,000- and over	60	4,513,986,260	100.00
Total	60	4,513,986,260	100.00

Twenty Largest Option holders – ASX code: AGOO

	Option holder Name	Quantity	% of Total Holding
1	Citicorp Nominees Pty Limited	613,165,489	13.58
2	Maru Sky Limited	546,371,682	12.10
3	Commonwealth Bank Of Australia	410,362,402	9.09
4	National Nominees Limited	330,369,619	7.32
5	John Hancock Fund Ii <Floating Rate Income A/C>	324,330,637	7.19
6	Sankaty High Income Partnership Lp	196,894,690	4.36
7	Western Asset Floating Rate High Income Fund Llc	175,822,220	3.90
8	Caterpillar Financial Australia Ltd	164,144,956	3.64
9	Ridgeworth Funds Seix Floating Rate High Income\	147,913,466	3.28
10	ICE Global Credit Clo Limited	114,901,469	2.55
11	Mountain Hawk Ii Clo Ltd	111,973,113	2.48
12	Mountain Hawk I Clo Ltd	110,952,116	2.46
13	Mountain Hawk Iii Clo Ltd	89,760,279	1.99
14	Future Fund Board Of Guardians -2	85,012,580	1.88
15	Sankaty Senior Loan Fund Lp	71,151,165	1.58
16	Benefit Street Partners Clo I Ltd	65,657,982	1.45
17	BBT Fund Lp	59,092,184	1.31
18	Western Asset Bank Loan (Offshore) Fund	54,083,869	1.20
19	Bowery Funding Ulc	49,741,532	1.10
20	Mountain View CLO 2013-1 Ltd	49,366,903	1.09
	Top 20 Total	3,771,068,353	83.54

Unmarketable Parcels

The minimum parcel size at $0.001 per unit is 500,000 options. Zero option holders hold unmarketable parcels.

(e) Performance Rights and Share Appreciation Rights

Quantity	Terms
Zero	Performance Rights
Zero	Share Appreciation Rights

(f) Unlisted Options

There are 42,109,433 zero exercise price unlisted ESOP options expiring 13/11/2020 that vested on 6 May 2016 currently on issue.

(g) 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.

(h) Corporate Governance Statement

Atlas Iron Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Atlas Iron Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 Corporate Governance Statement was approved by the Board on 18 October 2016 and is current as at 18 October 2016. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.atlasiron.com.au

CORPORATE INFORMATION

Directors

Eugene I. Davis
Non-Executive Chairman

Daniel C. Harris
Managing Director (interim)

Hon Cheryl Edwardes AM
Non-Executive Director

Alan J. Carr
Non-Executive Director

Tony Walsh
Executive Director

Group Company Secretary

Tony Walsh
(Company Secretary & Head of Corporate)

Mark Hancock
(Chief Financial Officer)

Registered Office

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Solicitors

Ashurst Australia
123 St Georges Terrace
Perth WA 6000

Bankers

National Bank Australia
100 St Georges Terrace
Perth WA 6000

Share Register

Computershare Investor Services Pty Limited
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Web: www.computershare.com

Auditors

KPMG
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Perth WA 6000

Internet Address

www.atlasiron.com.au

ASX Codes

Shares AGO
Options AGOO / AGOOA

ATLAS

atlasiron.com.au

Insight Communication & Design