



Highlights

- **Net operating cashflow of A\$56M after interest, contractor profit share and realised hedge impact**
- **4.0M WMT shipped in the December 2016 Quarter (Sept 2016 Qtr: 4.1M WMT)**
- **Average realised price (inclusive of low-grade Value Fines product and realised hedge impacts) of A\$66/WMT CFR (Sept 2016 Qtr: A\$54/WMT CFR)**
- **C1 Operating Costs of A\$34/WMT FOB (Sept 2016 Qtr: A\$34/WMT FOB)**
- **Full Cash Costs of A\$55/WMT CFR (Sept 2016 Qtr: A\$50/WMT CFR) following increase in freight rates and other revenue-based payments**
- **A\$54M of debt repaid in January 2017, reducing Term Loan B debt to A\$118M after foreign exchange impact (30 Sept 2016: A\$177M), in addition to A\$19M of interest & principal repaid during the December 2016 Quarter**
- **Cash on hand at 31 December 2016 of A\$134M pre the A\$54M debt repayment (30 Sept 2016: A\$95M)**
- **In January 2017, S&P Ratings Services upgraded its corporate and senior secured credit ratings on Atlas to “B-” from “CCC”**

Atlas Iron Limited (ASX: AGO) is pleased to report on what has been an outstanding December 2016 Quarter underpinned by strong margins and production, resulting in substantial debt reduction.

Atlas Managing Director Cliff Lawrenson said the result placed Atlas in a significantly stronger position.

“Atlas capitalised on higher iron ore prices by shipping 4Mt for the period and keeping C1 costs steady,” Mr Lawrenson said.

“This performance resulted in strong cashflow, which in turn enabled Atlas to strengthen its balance sheet by making a A\$54M debt repayment in early January 2017.

“Atlas is well-positioned to continue this performance in the March 2017 Quarter due to hedging contracts in place for many of this quarter’s shipments at prices equivalent to those realised in the December 2016 Quarter.

“In light of this strong outlook, Atlas is now on track to be in a net cash position by the middle of this year.”

Quarterly - Key Metrics

	December16 Quarter	September16 Quarter	Variance Quarter
Ore tonnes shipped (WMT)	4.0M	4.1M	0%
C1 cash costs (A\$/WMT FOB)	\$34	\$34	0%
Full cash cost* (A\$/WMT CFR China)	\$55	\$50	(10%)
Depreciation & Amortisation (A\$/WMT)	\$5	\$5	0%
Net Atlas CFR Sale Price (A\$/WMT)	\$66	\$54	23%
Development Capital (A\$M)	\$1.4	\$1.3	(1%)

* Please refer to Glossary in this announcement

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

Operations

Table 1 - Production	December 16 Quarter (WMT)	September 16 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined*	4,057,611	3,792,573	265,038	7%
Ore Processed	4,039,573	3,934,872	104,701	3%
Haulage to Port	4,053,920	3,994,798	59,122	1%

*- Includes intra-mine tonnes

Table 2 – Inventory and Shipping	December 16 Quarter (WMT)	September 16 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stock at site	304,910	299,330	5,580	2%
Final Product Stocks – Port	108,877	91,727	17,150	19%
Shipping				
Ore Shipped (Wet)	4,037,280	4,051,749	(14,469)	(0%)
Ore Shipped (Dry)	3,799,809	3,822,956	(23,147)	(1%)

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

Atlas shipped 4.0M WMT for the December 2016 Quarter; 2.3M WMT of Standard Fines, 0.5M WMT of Value Fines and 1.2M WMT of Atlas Lump.

Atlas continued its strong operational performance with total shipped tonnes and C1 costs in line with the September 2016 Quarter. Freight costs increased due to higher fuel prices and strong demand for seaborne coal. Higher freight costs of ~\$1.50/t and an increase in revenue based payments, including contractor collaboration and royalty payments, resulted in an increase in Full Cash Costs of \$5/t.

Marketing

The benchmark Platts 62% Fe IODEX averaged US\$70.72/DMT in the December 2016 Quarter compared with US\$58.55/DMT in the September 2016 Quarter. Atlas achieved an average price after hedge impacts of A\$70/WMT in the December 2016 Quarter excluding Value Fines and A\$66/ WMT inclusive of Value Fines (September 2016 Quarter: A\$56/ WMT and A\$54/WMT exclusive and inclusive of Value Fines).

The Value Fines product is a low grade product which is effectively sold at a margin over incremental cost when market conditions allow, with strong headline pricing during the December 2016 Quarter facilitating the sale of 5 cargoes of this product.

Product discounts for lower grade products continued to increase over the December 2016 Quarter, which adversely impacted Atlas' net realised price.

To assist in managing volatility in iron ore price Atlas has continued to hedge a portion of its forward production. At the date of this report, Atlas had swaps for approximately 1.5M WMT of March 2017 Quarter sales and 0.6M WMT of June 2017 Quarter sales at an average 62% Fe equivalent level of A\$96/DMT. This compares to the A\$94/DMT 62% Fe average price for the December 2016 Quarter.

In addition Atlas has approximately 0.5M WMT of fixed price sales at US\$61/DMT net to Atlas and cap/collars comprising 0.6M WMT with an average 62% Fe equivalent put price of US\$51.50/DMT and a call price of US\$62.5/DMT.

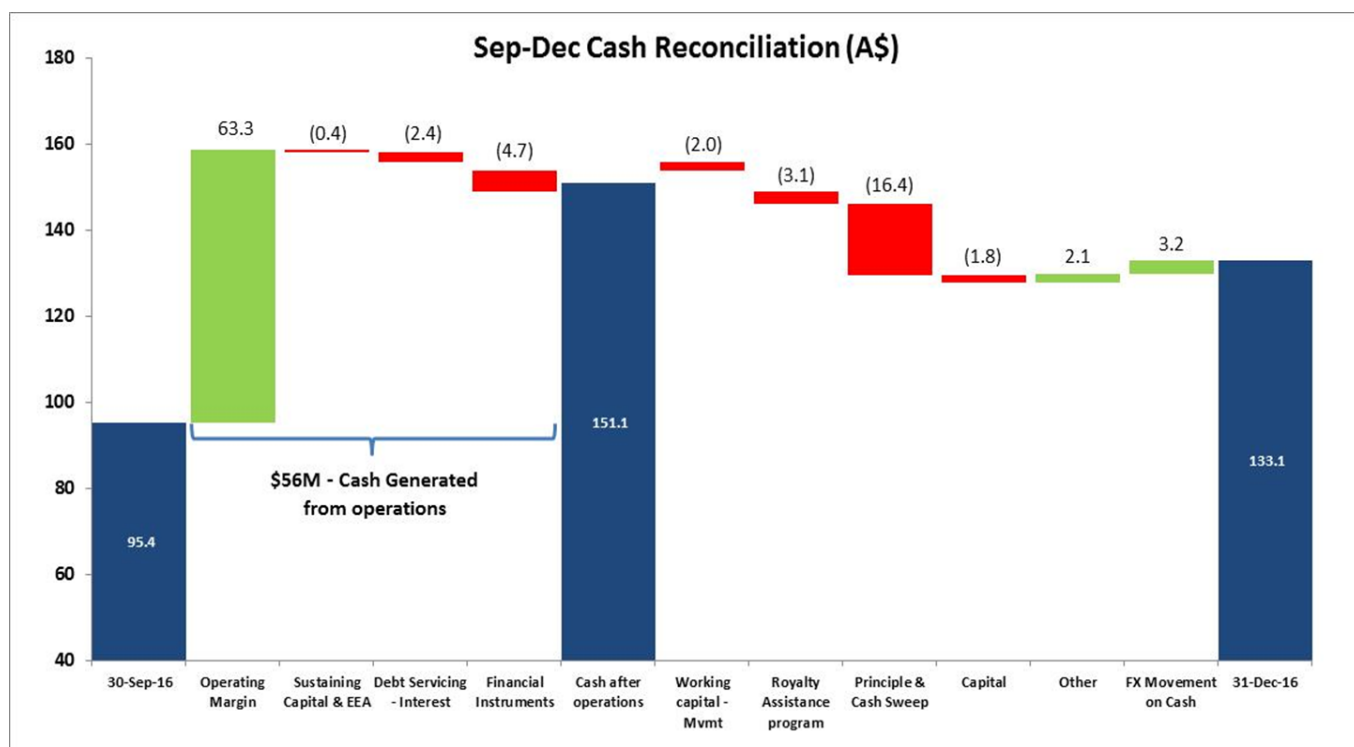
Financial Position Summary

Cash as at 31 December 2016 was A\$134M (30 September 2016: A\$95M) with the increase attributable to positive cashflow generated from the Company's operations, partially offset by repayment of a further A\$3M in State Government royalty relief and A\$19M of interest and principal repayments. At 31 December 2016, A\$9M is outstanding in State Government royalty relief and this will be paid in three equal quarterly instalments in 2017.

As announced on 5 January 2017, under the cash sweep requirements of the Company's term loan debt facility, any cash on hand at the end of each quarter in excess of \$80M is paid to the lenders. As a result, on 5 January 2017 Atlas repaid A\$54M, reducing its US term loan debt to A\$118M (using a 31 December 2016 FX rate of A\$1=US\$0.7236) from the A\$180M owed in May 2016 following the restructure.

Following this material repayment of term loan debt, on 12 January 2017 Atlas announced that Standard & Poors Ratings Services (S&P) has upgraded its corporate and senior secured credit ratings on Atlas to "B-" from "CCC".

Cash movements for the quarter are summarised in the graph below



Corunna Downs

On 21 December 2016 Atlas released to ASX the results of Atlas' 100% owned Corunna Downs Definitive Feasibility Study (DFS) (see ASX release dated 21 December 2016 entitled "Atlas delivers positive results from Corunna Downs DFS" for full details).

The Corunna Downs project (Corunna) has the potential to deliver 4Mtpa of Lump and Fines DSO over an initial mine life of 5 to 6 years. There are upside opportunities to extend the mine life by exploiting both the below water table Resources and the Glen Herring Mineral Resource.

The capital expenditure estimate is in the range A\$47M to A\$53M (incl. contingency). C1 cost estimate is in the range A\$37 to A\$43/WMT, and Full Cash Cost estimate is in the range A\$49 to A\$55/WMT. A life of mine breakeven price of ~US\$50/DMT (62%Fe index price, exclusive of development capital and assumes a C1 cost of A\$43/WMT and an FX rate of A\$1.00 = US\$0.75). Value engineering and further commercial discussions are underway to reduce operating costs to the low end of these ranges.

The Corunna development decision is expected to be made by the Board in the March 2017 Quarter, subject to achieving a satisfactory funding solution. Atlas will continue to progress approvals for the Corunna project during the March 2017 Quarter at minimal cost. Should Atlas make the development decision in the March 2017 Quarter, first ore on ship from the Corunna project is targeted in the March 2018 Quarter.

Corporate

On 14 December 2016, the Company advised the market that it had appointed experienced resources executive Cliff Lawrenson as Managing Director and Chief Executive Officer (see ASX announcement dated 14 December 2016 entitled "Cliff Lawrenson appointed as Managing Director" for full details). Mr Lawrenson joined Atlas as of 16 January 2017.

Mr Lawrenson most recently held the position of Managing Director of ASX-listed phosphate company Avenir Limited, and was previously the Chief Executive Officer of FerrAus Limited. Mr Lawrenson has extensive managerial experience in both the resources and investment banking industries.

Following Mr Lawrenson's appointment to the Atlas Board, Interim Managing Director, Daniel Harris will revert to being a Non-Executive Director and Tony Walsh has resigned as a Director but remains as Company Secretary.

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Notes:

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

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Glossary

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

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

DMT means Dry Metric Tonnes.

Mtpa means million tonnes per annum

Corporate Profile

Directors

Eugene I Davis	Non-Executive Chairman
Cliff Lawrenson	Managing Director, Chief Executive Officer
Hon. Cheryl Edwardes AM	Non-Executive Director
Alan Carr	Non-Executive Director
Daniel Harris	Non-Executive Director

Company Secretary

Tony Walsh	Company Secretary and Head of Corporate
Bronwyn Kerr	Company Secretary and General Counsel

Executive Management

Mark Hancock	Chief Financial Officer
Jeremy Sinclair	Chief Operating Officer

Registered Office and Head Office

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Appendix 1: Mine Production by Location and Inventory

Table A – Mine Production Wodgina

	December 16 Quarter (WMT)	September 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	1,345,337	1,369,132	(23,795)	(2%)
Ore Processed	1,375,140	1,389,559	(14,419)	(1%)
Haulage to Port	1,397,121	1,348,116	49,005	4%

Table B – Mine Production Abydos

	December 16 Quarter (WMT)	September 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	934,126	690,774	243,352	35%
Ore Processed	911,003	829,131	81,872	10%
Haulage to Port	889,259	875,173	14,086	2%

Table C – Mine Production Mt Webber

	December 16 Quarter (WMT)	September 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	1,778,148	1,732,667	45,481	3%
Ore Processed	1,753,430	1,716,182	37,248	2%
Haulage to Port	1,767,540	1,771,509	(3,969)	0%

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

Table D – Inventory

	December 16 Quarter (WMT)	September 16 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	471,235	447,995	23,240	5%
Final Product Stock at site	304,910	299,330	5,580	2%
Final Product Stocks - Port	108,877	91,727	17,150	19%

Note: All percentages in Appendix 1 are rounded