



## September 2015 Quarterly Report

22 October 2015

### Key points

- **Mines ramped up and 14-15Mtpa production rate achieved four months early**
- **Shipped 3.3M WMT, up 72% on June 2015 Quarter**
- **Cash on hand of A\$107M at 30 September 2015**
- **Average realised price of A\$61/WMT CFR (June 2015 Quarter A\$55/WMT CFR)**
- **Full cash costs of A\$58/WMT CFR (June 2015 Quarter: A\$66/WMT CFR)**
- **Corunna pre-feasibility study commenced, targeting December 2015 completion**
- **Mt Webber mine on track to commence lump production in December 2015**

*Atlas is holding a live Quarterly Report webcast at 10.00am WST (1.00pm AEDT). To listen live, please connect to: <http://www.brrmedia.com/event/140542>*

Atlas Iron Limited (ASX: AGO) ("Atlas") is pleased to report on a successful September 2015 Quarter marked by a pivotal A\$87M capital raising (gross), the resumption of share market trading, a return to full production, and further cost reductions.

Atlas Managing Director David Flanagan said the September 2015 Quarter marked the turning point for Atlas after the impact of the sharp fall in iron ore price earlier this year.

Full Cash costs fell to A\$58/WMT CFR (including all contractor cost clawback and profit share) in the September 2015 Quarter, 12% lower than the June 2015 Quarter (A\$66/WMT CFR). This cost reduction is largely due to the success of the contractor collaboration agreements and improved port charges. Atlas' average realised sale price for the September 2015 Quarter is A\$61/WMT CFR.

## Quarterly - Key Metrics

	Sep 15 Quarter	June 15 Quarter	Variance Quarter
Ore tonnes shipped (WMT)	3.3M	1.9M	72%
C1 cash costs (A\$/WMT FOB)	\$36	\$46	22%
Full cash cost* (A\$/WMT CFR China)	\$58	\$66	12%
Development Capital (A\$)	\$3M	\$3M	0%
Depreciation & Amortisation (A\$/WMT)	\$7	\$7	0%
Net AUD Atlas CFR Sale Price (WMT)	\$61	\$55	11%

\* Please refer to Glossary in this announcement

Atlas Iron Limited

ABN 63 110 396 168

Raine Square, Level 18  
300 Murray Street Perth WA 6000

PO Box 7071  
Cloisters Square Perth WA 6850

P: +61 8 6228 8000  
F: +61 8 6228 8999

E: [atlas@atlasiron.com.au](mailto:atlas@atlasiron.com.au)  
W: [www.atlasiron.com.au](http://www.atlasiron.com.au)



Atlas has continued its strong focus on costs during the September 2015 Quarter which together with the contractor collaboration model and port cost savings, has continued to deliver positive operating cashflow. The innovative contractor collaboration agreements struck by Atlas in the June 2015 Quarter, combined with the related A\$87M capital raising (gross), culminated in Atlas returning to operations at all mines, shipping 3.3M WMT in the September 2015 Quarter.

Ramp up of the mines saw Atlas return to a production rate of 14 - 15Mtpa in August 2015, four months ahead of schedule. The production ramp-up and ongoing savings program resulted in full cash costs averaging A\$58/WMT in the September 2015 Quarter, down from A\$66/WMT in the June 2015 Quarter.

Atlas' average realised price was A\$61/WMT, up from A\$55/WMT in the June 2015 Quarter.

Atlas finished the September 2015 Quarter with A\$107M cash on hand. This compares with A\$73M at 30 June 2015. Importantly working capital has also improved over the period from A\$4M at 30 June 2015 to A\$90M at 30 September 2015.

Managing Director, David Flanagan said "Ramping up production four months ahead of schedule is testament to the hard work of our employees and our contractors."

"These results demonstrate that Atlas is back up and running at full speed, but this time with lower costs, a stronger balance sheet and innovative arrangements with our key contractors," Mr Flanagan said.

"We can now begin to eye growth opportunities, though these will have to meet our key investment criteria of having both low capital and operating costs while also generating strong cash flow.

"The Corunna Downs project has the potential to tick all these boxes, hence we have started a pre-feasibility study (see separate ASX release today).

"The start of lump production at Mt Webber later this year also meets this investment criteria in respect to generating strong cash flow for little capital outlay.

"By maintaining higher production rates and continuing to cut costs we will strengthen Atlas' options for restructuring the balance sheet."

## FY2016 Guidance

Atlas wishes to advise that its FY2016 Guidance is as follows:

	Full Year Guidance
Ore tonnes shipped (WMT)	14M – 15M
C1 cash costs (A\$/WMT FOB)	\$35 - \$38
Full cash cost* (A\$/WMT CFR China)	\$55 - \$59
Development Capital (A\$)	\$10M - \$15M
Depreciation & Amortisation (A\$/WMT)	\$6 - \$7
* Please refer to Glossary in this announcement	

Note: The FY2016 Guidance range takes into account the higher haulage costs that result from Mt Webber's ramp-up to 6Mtpa during FY2016.



## Operations

**Table 1 - Production**

	Sep 15 Quarter (WMT)	June 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined	3,724,759	1,781,872	1,942,887	109%
Ore Processed	3,438,337	2,079,893	1,358,444	65%
Haulage to Port	3,255,199	1,961,309	1,293,890	66%

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

**Table 2 – Inventory and Shipping**

	Sep 15 Quarter (WMT)	June 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stocks – Port	86,778	104,498	(17,720)	(17%)
<b>Shipping</b>				
Ore Shipped (Wet)	3,272,918	1,907,281	1,365,637	72%
Ore Shipped (Dry)	3,090,961	1,801,295	1,289,666	72%

Atlas shipped 3.3M WMT for the September 2015 Quarter; 2.7M WMT of Standard Fines and 0.6M WMT of Atlas Lump.

## Marketing

The benchmark Platts 62% Fe IODEX averaged US\$55/DMT in the September 2015 Quarter compared with US\$58/DMT in the June 2015 Quarter. There was a significant fall in the AUD:USD exchange rate in the September 2015 Quarter, averaging US72.58c compared with US77.75c in the June 2015 Quarter.<sup>1</sup>

Over the September 2015 Quarter, discounts being offered in the market by major suppliers were reduced in the June 2015 Quarter and this has led to improved discounts being achieved for Atlas' product. This was in part offset by fixed price cargoes sold early in the September 2015 Quarter when prices were lower than the quarter average and the impact of certain hedge positions where the ceiling price on collars was reached, capping pricing upside.

Atlas' average realised headline sale price for tonnes delivered during the September 2015 Quarter was A\$60.73/WMT CFR (June 2015 Quarter A\$55.14/WMT CFR).

Atlas is now hedging a greater proportion of its cargoes and, with final pricing of cargoes generally being closer to their sailing date, the effects of provisional pricing are expected to continue to be less material to the business going forward than has historically been the case.

<sup>1</sup> Average FX rates quoted for the September 2015 Quarter are simple averages of the three monthly average FX rates as published by RBA.



On 24 September 2015 Atlas announced a key new iron ore sales agreement, securing substantial sales volumes, while additionally achieving strong fixed price cargo sales through to March 2016 (see ASX release dated 24 September 2015 “New Iron Ore Sales Agreement and Marketing Update” for further details).

Atlas’ new Lump product is being successfully sold to a range of customers and achieved a premium over fines during the September 2015 Quarter in line with market practice.

Average freight costs for the September 2015 Quarter were A\$9.92/WMT (June 2015 Quarter A\$7.95/WMT), due to lower exchange rates increasing USD denominated freight cost and a firmer freight market.

At the date of this report, Atlas had approximately 2.8M WMT subject to some form of forward price fixing via the use of forwards, collars or puts.

## Corunna Pre-Feasibility

Atlas has commenced a pre-feasibility study into a potential new low capital and operating cost iron ore mine targeting production from late 2017 at Corunna Downs, located 40km from Mt Webber in the Pilbara of Western Australia. A development at Corunna is one of a number of low cost initiatives Atlas is advancing with the aim to sustain export levels in the range of 10 - 15Mtpa beyond 2017 (see ASX release dated today, 22 October 2015 for further details).

## Mt Webber Lump

Atlas has also commenced work to deliver a Lump product from its Mt Webber mining operation. The plant modifications are expected to deliver both a higher value Lump product and reduced operating costs from December 2015.

The modifications relate to the Mt Webber 6Mtpa processing facility and immediate stockyard areas. On completion the Mt Webber project will produce higher value Lump at a rate of 2.8 - 3.0Mtpa. Testwork to date suggests the Lump product will perform similarly to Lump currently produced at Abydos, in terms of price and blast furnace performance.

When compared to its Standard Fines product, Atlas is currently achieving a premium for Lump ore from Abydos. This represents a significant improvement to current operating cashflows. In addition to the increased revenues for approximately half the Mt Webber production, there are also processing cost savings.

The combined effect of the reduction in costs and the increased revenues from lump product is expected to result in improved margins from Mt Webber. Atlas does not currently have any profit share agreements in place for the Mt Webber Project and retains 100% of cashflows. The total cost of the modifications is projected to be in the order of A\$6.5M.

## Corporate

Following the receipt of shareholder approval on 25 June 2015, Atlas completed an A\$87M capital raising (gross) on 24 July 2015. The raising improved the working capital position of Atlas and strengthened its balance sheet considerably, thus providing some protection against future iron ore price volatility.

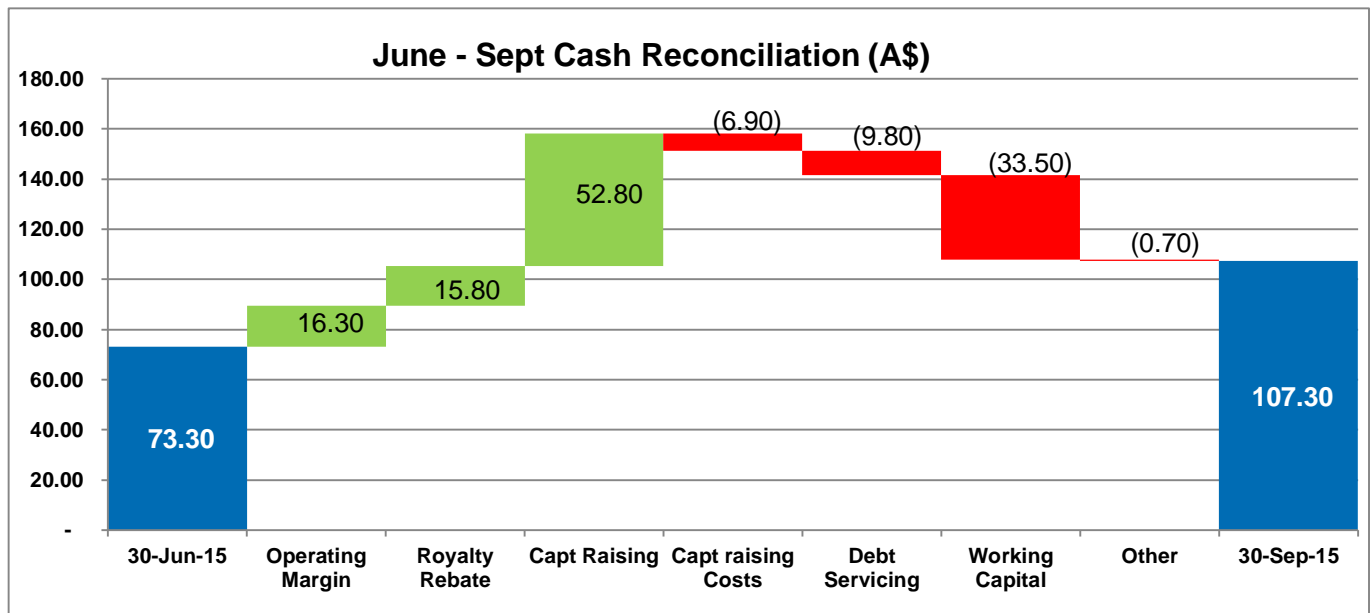
Atlas’ ordinary shares and new options were relisted on ASX (ASX Codes: AGO and AGOO) on 27 July 2015 following completion of the A\$87M capital raising (gross).



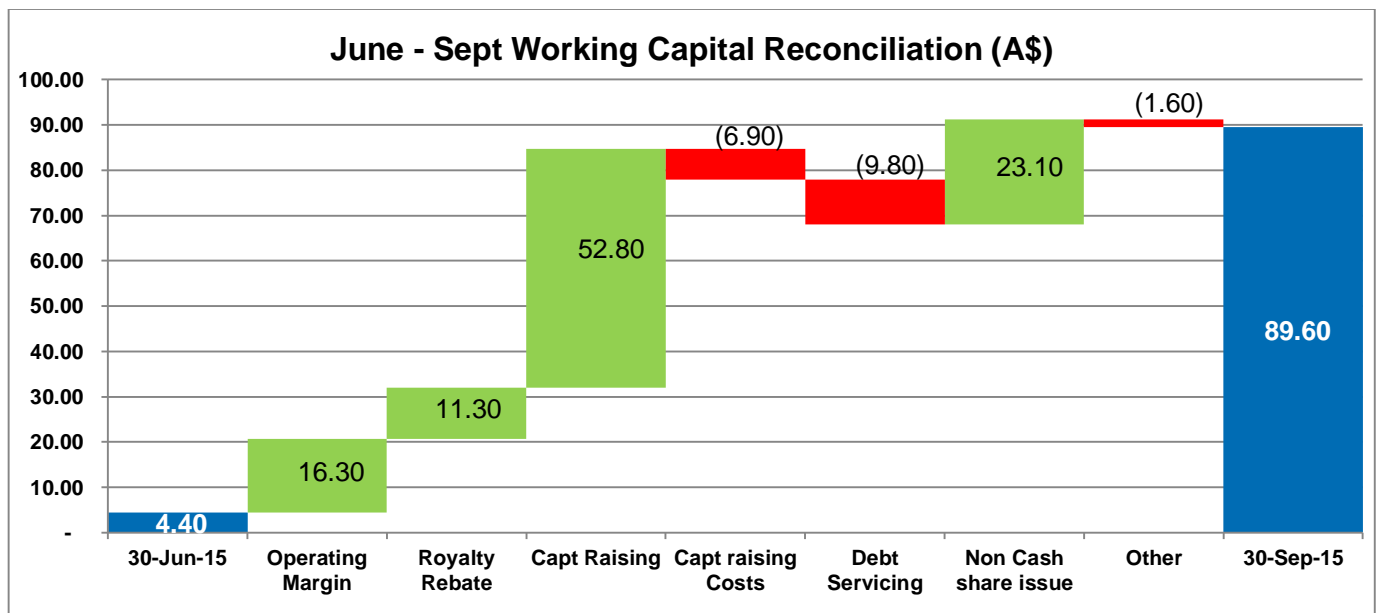
Atlas continued to work with the State Government with respect to the previously announced royalty relief package, which provides a 50% cash rebate (fully repayable by late 2017) on State Government royalties paid to eligible producers. Atlas signed formal documentation during the September 2015 Quarter and has so far received a cash rebate of A\$16M in respect of the December 2014, March 2015 and June 2015 Quarters.

## Financial Position Summary

Cash as at 30 September 2015 was A\$107M (30 June 2015: A\$73M). See waterfall chart below for further details:



Working capital improved from A\$4M at 30 June to A\$90M at 30 September 2015. See waterfall chart below for further details:



**Media Enquiries:**

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

## Glossary

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

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



## Corporate Profile

### Directors

The Hon. Cheryl Edwardes	Non-Executive Chairman
David Flanagan	Managing Director
Ken Brinsden	Non-Executive Director
Jeff Dowling	Non-Executive Director
Sook Yee Tai	Non-Executive Director

### Company Secretaries

Tony Walsh	Company Secretary and Head of Corporate
Yasmin Broughton	General Counsel and Company Secretary

### Executive Management

Mark Hancock	Chief Financial Officer
Jeremy Sinclair	Chief Operating Officer

### Registered Office and Head Office

Level 18, 300 Murray Street, Perth WA 6000

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

Twitter: @Atlas\_Iron

## Appendix 1: Mine Production by Location and Inventory

### Table A – Mine Production Wodgina

	Sep 15 Quarter (t)	June 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,624,650	905,353	719,297	79%
Ore Processed	1,648,396	1,023,884	624,512	61%
Haulage to Port	1,729,768	894,981	834,787	93%

### Table B – Mine Production Abydos

	Sep 15 Quarter (t)	June 15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,127,917	730,727	397,190	54%
Ore Processed	924,388	872,180	52,208	6%
Haulage to Port	911,765	792,459	119,306	15%

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

### Table C – Mine Production Mt Webber

	Sep 15 Quarter (t)	June 2015 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined	972,192	145,792	826,400	567%
Ore Processed	865,553	183,829	681,724	371%
Haulage to Port	613,666	273,869	339,797	124%

### Table D – Inventory

	Sep 15 Quarter (t)	June 2015 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	659,201	393,294	265,907	68%
Final Product Stock at site	491,373	313,369	178,004	57%
Final Product Stocks - Port	86,778	104,498	(17,720)	(17%)

Note: Percentages are rounded