



ASX Announcement

22 October 2015

## Pre-feasibility Study Underway for Corunna Downs

Atlas Iron Limited (ASX:AGO) (**Atlas**) is pleased to advise that it has commenced a pre-feasibility study (**PFS**) into the development of a low-cost iron ore mine at its Corunna Downs project, located 40km from the Company's Mt Webber project in the Pilbara region of WA.

Preliminary investigations completed on Corunna Downs in early 2015 demonstrated strong potential to convert existing Mineral Resources into Ore Reserves. Field work is now under way to deliver a PFS in December 2015 with the aim of first exports in 2017.

Initial exploration at Corunna Downs defined a Mineral Resource of 65Mt @ 57.3% Fe (45Mt Inferred Resource and 20Mt Indicated Resource - refer to Atlas' ASX announcement: "North Pilbara Mineral Resource Update" dated 28 May 2015).

The PFS will focus on a portion of the current Mineral Resource which has potential to deliver incremental production to complement Atlas' existing Pilbara operations in the short term.

Targeted outcomes of the PFS include:

- Converting sufficient Mineral Resources to Ore Reserves to support an initial 5 to 6 year mine life
- Processing plant and mining schedule to deliver up to 4Mtpa
- Strip ratio of less than 1:1
- Mine approval and first exports by late 2017
- Ore haulage via road train and export via Atlas' existing port allocation at Utah Point in Port Hedland
- Cash costs to be equivalent to current operating mines

Atlas' strategy at Corunna is based on utilising innovative infrastructure and contracting arrangements to minimise capital cost while maximising cashflow. This is the low capex model which was employed successfully by Atlas at its Pardoo and Mt Dove projects (\$10-15M in mine infrastructure to deliver 1Mtpa of production). The current market also provides significant opportunities for capital cost savings.

This ratio of capital cost to production compares favourably to recent large-scale new mine developments in the Pilbara, which have typically required an investment of between \$150M and \$200M for each 1Mt of annual production.

While still at an early stage, Atlas has also entered into discussions with parties interested in contributing to the cost of developing the Corunna Project. The project remains prospective to support a mine life beyond the initial 5-6 years.

"The Corunna Project is an important potential source of new, low capex production from 2017," Atlas Managing Director David Flanagan said. "We remain focused on initiatives that will maintain exports at a rate of 10-15Mtpa for the long term."

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While the PFS' objectives are underpinned by the preliminary investigations, their achievement is subject to a number of risks. Atlas is satisfied that the Corunna Downs project is sufficiently prospective to warrant investment in further work to determine project economics. It is not certain that the PFS will deliver a successful outcome.

The total cost of the PFS, including pegging of mining leases, has been estimated at \$2.2M and will be funded from operating cashflows.

### **Gondwana Royalty Cancellation**

Atlas is also pleased to advise it has reached agreement with Gondwana Resources Ltd (ASX:GDA) to terminate the obligation to make a \$1.13 / tonne royalty payment to Gondwana on the first 30MT produced from Corunna. Tonnes beyond the first 30Mt of production remain the subject of the royalty. The consideration payable by Atlas under this agreement is:

- \$500,000 payable within 7 days
- \$500,000 payable within 180 days
- \$250,000 payable within 30 days of first iron ore exports from Corunna
- \$1,000,000 in Atlas shares, to be issued the earlier of Atlas issuing shares under a prospectus or 1 August 2016. The issue price of these shares will either be the price prescribed by the prospectus or if no prospectus is issued before 1 August 2016, the 5-day volume-weighted average price on 28 July 2016.

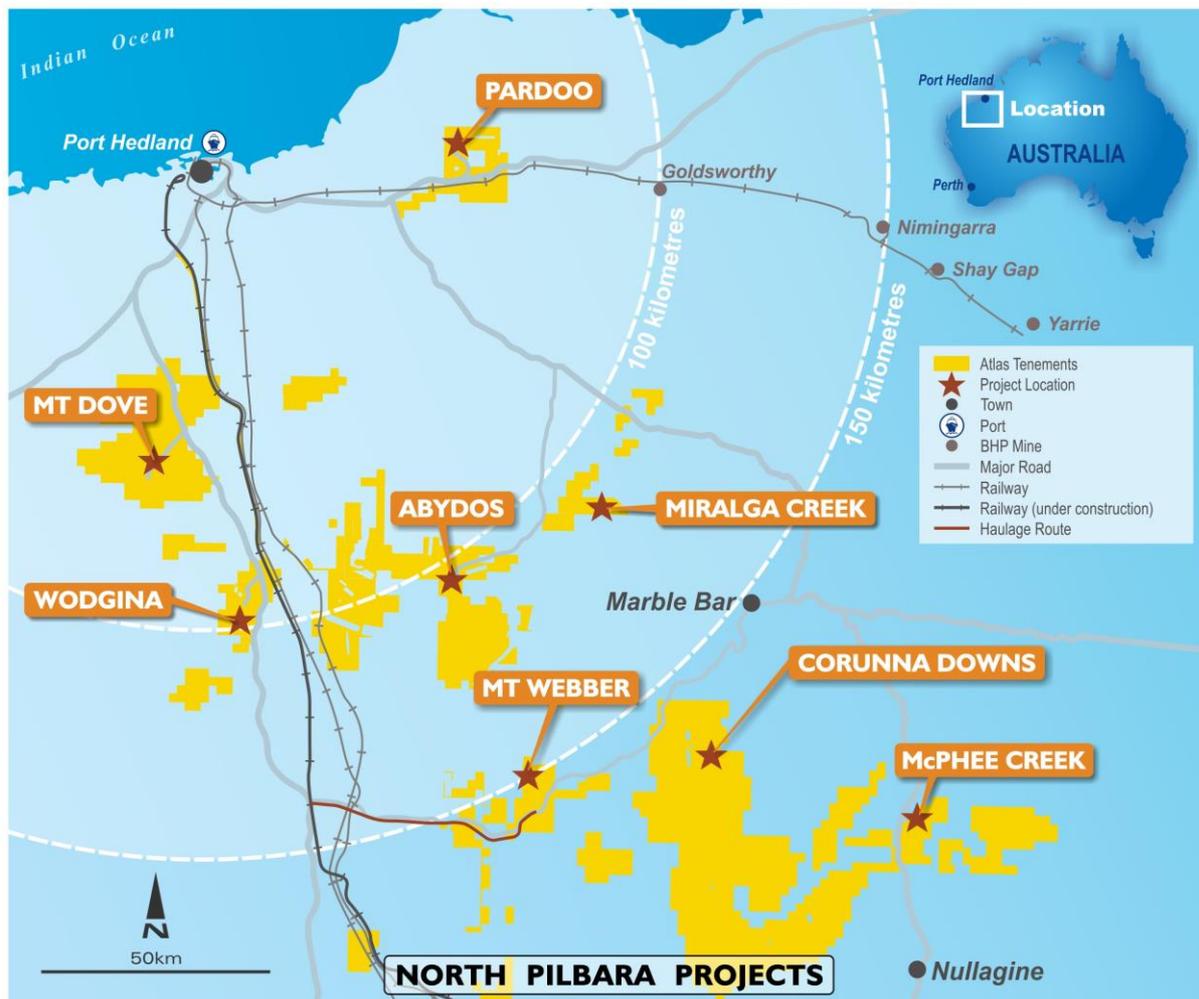
### **Information relating to Reporting of Mineral Resources**

The information in this report relating to the Mineral Resource estimate for Corunna Downs is extracted from Atlas' ASX announcement reported on 28 May 2015 which received Competent Person sign off by Leigh Slomp, a full time employee of Atlas. The report is available at <http://www.atlasiron.com.au/irm/content/asx-announcements.aspx>.

Atlas confirms that it is not aware of any new information or data that materially affects the information included in the 28 May 2015 announcement relating to the Mineral Resource estimate and all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed. Atlas confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the 28 May 2015 announcement.

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Corunna Project Location