



September 2018 Quarterly Report

Summary

- **1.9M wmt shipped in the September Quarter**
- **C1 cash costs of A\$40/wmt FOB; Full cash cost of A\$64/wmt CFR**
- **Average realised price of A\$67/wmt CFR, inclusive of hedging gains and provisional pricing adjustments**
- **Net cash generated by iron ore operations of A\$6.4m in the September Quarter, after interest and financial instruments**
- **Cash on hand of A\$51m at 30 September (30 June 2018: A\$57m cash on hand)**
- **Hancock Offer closed on 12 October 2018, with Redstone's voting power in Atlas exceeding 90%**
- **Redstone intends to initiate compulsory acquisition to acquire all Atlas shares that it does not already own**
- **If Redstone is entitled to do so, it intends to procure that Atlas is removed from the official list of ASX**

Quarterly – Key Metrics

	September 2018 Quarter	June 2018 Quarter	Variance Quarter
Ore tonnes shipped (m wmt)	1.9	2.1	(0.2)
C1 cash cost*	\$40	\$42	\$2
Full cash cost (A\$/wmt CFR China)	\$64	\$62	(\$2)
Depreciation & Amortisation (A\$/wmt)**	\$5	\$9	\$4
Net Atlas CFR Sale Price (Iron ore) (A\$/wmt)	\$67	\$59	\$8
Development Capital (A\$m)	\$1.1	\$2.5	\$1.4

* C1 cash cost impacted by 2018 Financial Year inventory impairment loss

** Depreciation & amortisation charge impacted by 2018 Financial Year fixed asset impairment loss

Note: The metrics in the table above relate to iron ore only. Atlas also shipped 170k tonnes of lithium DSO during the Quarter (refer 'Logistics Services' below).

Iron Ore Operations

Table 1 - Production	September 2018 Quarter (wmt)	June 2018 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Ore Mined*	2,002,634	2,462,900	(460,266)	(19%)
Ore Processed	1,974,914	2,189,230	(214,316)	(10%)
Haulage to Port	2,001,023	1,958,537	42,486	2%

*includes intra-mine tonnes

Table 2 – Inventory and Shipping	September 2018 Quarter (wmt)	June 2018 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Final Product Stock at site	179,591	227,740	(48,149)	(21%)
Final Product Stocks - Port	185,327	130,980	54,347	41%
Shipping				
Ore shipped (Wet)	1,946,777	2,062,026	(115,249)	(6%)
Ore shipped (Dry)	1,836,693	1,943,119	(106,426)	(5%)

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

Atlas shipped 1.9 million wmt of iron ore for the September 2018 Quarter, comprising 0.9 million wmt of Fines and 1.0 million wmt of Lump. In late July 2018, Atlas suspended iron ore crushing at Mt Dove and reduced the mining rate at Mt Webber to approximately 7mtpa (see ASX announcement dated 29 June 2018).

C1 cash costs decreased from the June 2018 Quarter due to savings in operating and haulage costs as a result of the suspension of Mt Dove and the inclusion of inventory impaired at 2018 financial year-end in the sales volume.

Full cash costs for the Quarter were higher due to increased freight rates as a result of a competitive shipping market and increased royalty charges as a result of higher FOB pricing. The increased freight rates and royalty charges were partially offset by lower C1 cash costs as noted above.

Marketing and Hedging

The benchmark Platts 62% Fe IODEX averaged US\$67/dmt in the September 2018 Quarter (June 2018 Quarter: US\$65/dmt).

Atlas achieved an average price for its iron ore after option premiums and provisional pricing adjustments of \$A67/wmt in the September 2018 Quarter (June 2018 Quarter: A\$59/wmt).

The higher received price compared with the previous quarter was driven by the improved benchmark price resulting in positive provisional pricing adjustments on prior period sales, increased lump premiums and a softening in the Australian dollar (September 2018 Quarter average of US\$0.73 compared with June 2018 Quarter average of US\$0.75).

Atlas has historically hedged a portion of its forward production to assist in managing risk related to iron ore price volatility. At the date of this report there are no hedges in place.

Logistics Services

Atlas shipped 170k tonnes of lithium direct shipping ore during the September 2018 Quarter, following first exports in the June 2018 Quarter. The lithium shipment for September was deferred to October resulting in an increase in lithium inventory at quarter close. There were no manganese shipments during the quarter.

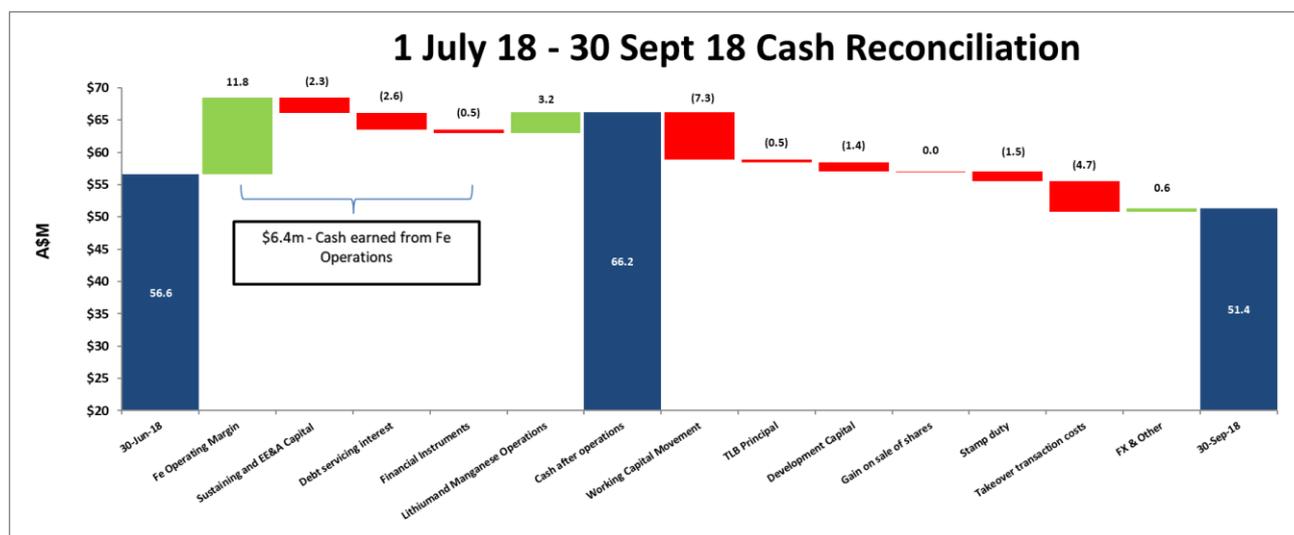
Financial Position Summary

Cash as at 30 September 2018 was A\$51 million (30 June 2018: A\$57 million). The Company's cash position was affected by timing of Lithium shipments and transaction costs relating to the Hancock Offer, offset by positive operating margins on its Iron Ore business.

The AUD equivalent of the outstanding USD term loan was A\$88 million as at the 30 September 2018 exchange rate of US\$0.7222/AU\$. During the Quarter the Company paid A\$2m in interest and principal repayments on Term Loan B and finance leases.

As previously advised to the market, the Term Loan B lenders have agreed to waive the event of default caused by Redstone Corporation's (**Redstone**) voting power in Atlas exceeding 50%. Redstone has granted the lenders a 60-day put option period which commenced on 3 October 2018. For further information regarding the waiver and Redstone's off-market takeover bid for Atlas generally, refer to the Company's ASX announcement dated 28 September 2018 and to the 'Corporate' section of this report.

Cash movements for the Quarter are summarised in the graph below:



Exploration

Atlas progressed its exploration program during the Quarter, including conducting a drilling campaign at its Miralga Creek Mineral Resource, adjacent to the Company's existing Abydos infrastructure. Mining operations ceased at Abydos during 2017. Atlas is reviewing its ability to develop satellite pods of enriched Cleaverville Banded Iron Formation at Miralga Creek.

During the Quarter, geological mapping and drilling was also conducted at the Cisco lithium prospect under its joint venture with Pilbara Minerals (ASX: PLS). Results from these programs are disclosed in the PLS Quarterly Release dated 16 October 2018. As a result of the work program, Pilbara Minerals has increased its interest in the Cisco Joint Venture to 70%. Pilbara Minerals is entitled to earn up to 80% by completing a definitive feasibility study and making a decision to mine. Atlas is free carried to a decision to mine.

Corporate

Atlas lodged its Target's Statement in relation to the off-market takeover bid for all the issued shares of Atlas by Hancock Prospecting Pty Ltd through its wholly-owned subsidiary, Redstone Corporation Pty Ltd (**Hancock Offer**), on 16 July 2018 (see ASX announcement dated 16 July 2018). The Target's Statement includes a report from an independent expert, which concludes that the Hancock Offer is fair and reasonable to Atlas shareholders. The Atlas Board unanimously recommended that shareholders accept the Hancock Offer, in the absence of a superior offer.

The Hancock Offer closed on 12 October 2018, with Redstone's voting power in Atlas exceeding 90%. At the date of this report Redstone's voting power in Atlas is exceeding 93%. Redstone has advised that it intends to initiate compulsory acquisition to acquire all Atlas shares that it does not already own. If Redstone is entitled to do so, it intends to procure that Atlas is removed from the official list of ASX (refer Redstone's media release dated 9 October 2018).

As advised to the market on 15 October 2018, Mr Spiro Pappas, Professor Ian Plimer, Mr Tad Watroba and Mr Stephen Wood have been appointed as non-executive directors of Atlas. Mr Pappas has been elected Chairman of the Board.

As part of the transition, Mr Eugene Davis, Mr Alan Carr, the Hon Cheryl Edwardes and Mr Cliff Lawrenson have resigned as directors. Mr Daniel Harris will continue on as a non-executive director.

Mr Sanjiv Manchanda has been appointed as Chief Executive Officer, replacing Mr Cliff Lawrenson in this role.

Please refer to the Company's ASX release dated 15 October 2018 for further information regarding the new Board and management appointments.

The Australian Securities and Investments Commission (**ASIC**) has granted an extension of time for Atlas to hold its 2018 Annual General Meeting (**AGM**). The period within which Atlas must hold its AGM has been extended to 31 January 2019. Accordingly, the Atlas AGM will not be held on 29 November 2018 (see ASX announcement dated 11 October 2018).

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Glossary

All costs are unaudited and quoted in Australian dollars unless otherwise stated.

Full cash costs include 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.

dmt means Dry Metric Tonnes.

dmtu means Dry Metric Tonne Units.

mtpa means million tonnes per annum.

wmt means Wet Metric Tonnes. All tonnes in this document are Wet Metric Tonnes unless otherwise stated.

Corporate Profile

Directors

Spiro Pappas	Non-Executive Chairman
Ian Plimer	Non-Executive Director
Tad Watroba	Non-Executive Director
Stephen Wood	Non-Executive Director
Daniel Harris	Non-Executive Director

Executive Management

Sanjiv Manchanda	Chief Executive Officer
Chris Els	Chief Financial Officer
Mark Hancock	Chief Commercial Officer
Bronwyn Kerr	General Counsel and Company Secretary
Jeremy Sinclair	Chief Operating Officer

Registered Office and Head Office

Level 17, 300 Murray Street, Perth WA 6000

Website: www.atlasiron.com.au

Twitter: @Atlas_Iron

Appendix 1: Mine Production by Location

Mine Production at Mt Webber

	September 18 Quarter (wmt)	June 18 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	2,002,634	2,462,900	(460,266)	(19%)
Ore Processed	1,974,914	2,189,230	(214,316)	(10%)
Haulage to Port	1,975,788	1,958,537	17,251	1%

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

Note 2: All percentages in Appendix 1 are rounded.