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Atlas Lifts Production Guidance and Lowers Cost Forecast After Record September Quarter

Highlights

- Record shipped tonnes and production physicals in the September Quarter
- Shipped tonnes guidance for FY13 increased to 7.2 – 7.7Mt
- Cash operating cost guidance for FY13 reduced to A\$46-\$50/t FOB
- Cash operating cost for the September 2012 Quarter in line with revised guidance
- Horizon 1 development projects on track to achieve 8Mtpa installed capacity by Dec 2012, 10Mtpa by June 2013 and targeting 12Mtpa by Dec 2013
- Horizon 1 capex review identifies likely substantial savings in FY13 and FY14 through the staged development of Mt Webber and road optimisation

Atlas Iron (ASX: AGO) is pleased to announce that it shipped a record 1.59Mt (WMT) with high productivity in processing and haulage (a record 1.67Mt (WMT) hauled) during the September 2012 Quarter.

The shipped tonnes forecast for FY13 has been increased from 7 - 7.5Mt to 7.2 - 7.7Mt (wet), driven by a revised production plan (inclusive of increasing Value Fines sales) and other productivity initiatives.

Atlas also advises that an operational and project expenditure review has resulted in it lowering its forecast cash operating costs for FY13 from AUD\$47-\$52 a tonne to AUD\$46 - \$50 a tonne. Guidance for FY14 remains unchanged at AUD \$47-\$52 per tonne once at the 12Mtpa run rate.

Atlas Managing Director Ken Brinsden said a wide-ranging expenditure review had been undertaken as part of the Company's strategy for managing iron ore price volatility.

"This exercise has identified savings which will flow through to reductions in both operating and capital costs, ensuring our business is disciplined, efficient and cost-competitive," Mr. Brinsden said.

"This tight focus on cost control means Atlas can maximise shareholder returns while also pursuing its expansion strategy, which will see our production capacity grow to 12Mtpa by the end of next year."

Mr. Brinsden said the approach of maximising current margins and cashflows, combined with the US\$325 million loan facility secured by Atlas (*see separate ASX Release lodged today*), would enable the Company to retain a conservative balance sheet and fund its plan for substantial production growth.

"While iron ore prices have been volatile, Atlas continues to receive strong demand for its standard product from a range of customers both inside and outside China," he said.

"Atlas will also continue to take advantage of opportunities to sell its lower-grade Value Fines product, which otherwise would be mined and stockpiled as mineralised waste."

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Record Physicals in September 2012 Quarter

Atlas shipped a record 1.59Mt (WMT) during the September 2012 Quarter, an increase of 6 per cent on the June 2012 Quarter. Mining and processing productivity for the quarter was high. Furthermore a new haulage record was established with 1.67Mt hauled to port during the quarter as the Company works to further ramp-up haulage capacity. The detailed results are as follows:

Production Physicals				
	September 2012 Quarter (t)	June 2012 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined	1,543,899	1,526,311	17,588	1%
Ore Tonnes Processed	1,642,711	1,534,530	108,181	7%
Haulage to Port	1,667,287	1,481,201	186,086	13%
Ore Tonnes Shipped (WMT)	1,592,654	1,504,064	88,590	6%

Note: Ore Tonnes Mined represents ore tonnes delivered to Run-of-Mine (ROM) at the Plant
Ore Tonnes Shipped includes ≈200,000 (Wet) of Atlas value fines.

Full production details are outlined in the September 2012 Quarterly report, lodged separately today.

Update on Shipping Guidance

Atlas now expects to ship in the range of 7.2Mt to 7.7Mt in FY13, following a review of its production plan and other productivity initiatives. This is made up of its standard product and between 0.5Mt and 0.7Mt of Atlas Value Fines product (one to two shipments per quarter). In August 2012, Atlas advised its guidance on shipped tonnes for FY13 was 7-7.5Mt.

Note: Shipped tonnes ~ 7.2Mt to 7.7Mt (2.9 to 3.1Mt in first half of FY13 and 4.3 to 4.6Mt in the second half following the commencement of production at Mt Dove in December 2012 and Abydos by the end of the June 2013 Quarter).

Review of Operating Costs and Reduction in Operating Cost Guidance

Atlas has lowered its operating cost guidance for FY13 to A\$46-\$50 a tonne, with the reduced guidance driven by the Company's revised production plan and other productivity initiatives.

The wide-ranging cost review initiated by Atlas concluded that certain long-term exploration and evaluation activity could be deferred. Atlas has approximately 1.1 billion tonnes in Mineral Resources and over 400 million tonnes of Ore Reserves (*See July 2012 Resource and Reserve Update for further details*), and as such, near-mine geology and resource/reserve development is a higher priority in the short and medium terms to deliver into the Company's medium term mining plans.

As a result of this review, there will be a reduction of approximately 27 full time positions across Atlas' business, with the majority of these positions attributable to exploration and evaluation activities. A further 23 roles (primarily exploration and evaluation roles) have been redeployed across the business, including a focus on roles in new mine development.

Atlas' guidance on depreciation and amortization (D&A) per tonne for FY13 remains unchanged.

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Atlas remains focused on growing its production over the next 15 months and is on target to expand its shipping rate from the current 6Mtpa rate to 10Mtpa by June 2013 and targeting 12Mtpa by December 2013.

HORIZON 1 DEVELOPMENT PROGRAMME UPDATE

Mt Dove Mine

The Mt Dove Mine, currently in construction, is running on time and on budget. Mt Dove remains on track to produce its first run-of-mine ore in December 2012 and is on target with respect to capital expenditure. With the addition of the Mt Dove mine, as per guidance, Atlas will be shipping at a rate of 8Mtpa from the end of December 2012.

Mt Dove will produce at a nominal rate of approximately 2Mtpa. The grade of product from the Mt Dove mine will assist Atlas with the blending of its standard product during this period.

Abydos Mine

Development of the Abydos Mine, where civil works construction to support the establishment of the mining operation is well advanced, on target and on budget. Abydos remains on track to produce its first run-of-mine ore towards the end of the June 2013 Quarter (as per guidance provided in 2012). Atlas has taken the opportunity to enhance project robustness through extensive contractual discussions ahead of planned award of major contracts shortly.

Late in the September 2012 Quarter, Atlas received the final environmental approval for ground disturbance at Abydos, which followed the approval received earlier in the year to commence construction of interim camps and infrastructure.

With the addition of Abydos, Atlas will have installed production capacity of 10Mtpa and be exporting at a rate of 10Mtpa by the end of June 2013.

Update on Utah Point expansion

As previously advised, Atlas is constructing an interim expansion at Yard 2 at the Utah Point port facility in Port Hedland at a total cost of ~\$58 million. Atlas expects these Yard 2 works to provide it with ~10Mtpa of shipping capacity from the end of June 2013 and for this capacity to be in place in time for the start-up of the Abydos mine towards the end of the June 2013 Quarter. Construction earthworks are now well underway at Yard 2.

Update on Mt Webber Feasibility Study and study on Boodarie Link Road

Atlas is the final stages of the feasibility study on its Mt Webber iron ore project and associated logistics infrastructure, including the assessment of the feasibility of the Boodarie off-highway option. Atlas expects to be in a position to make a final investment decision on Mt Webber in the March 2013 Quarter.

Mt Webber Capital Expenditure Review

Since April 2012, Atlas has provided guidance of \$250 million for its share of the capital expenditure expected for its Mt Webber iron ore project. Mt Webber has a planned capacity of 6Mtpa with the development to be a staged ramp-up over 18 months from December 2013 to backfill Atlas' North Pilbara production to the sustained target rate of 12Mtpa.

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As part of the current feasibility works, Atlas is assessing the feasibility of initially installing up to 3Mtpa of production capacity at Mt Webber based on a mobile processing plant format, with subsequent expansions at a later date installing the additional final capacity up to 6Mtpa as described above.

Preliminary work contributing to the current feasibility suggests that Atlas' share of the capital expenditure for this initial 3Mtpa production capacity start-up is expected to result in a material capital expenditure reduction in FY2013 and FY2014 to Atlas. Final costs for the 6Mtpa Mt Webber mine solution are expected to remain in the order of \$250 million for Atlas' share.

Road Transport Infrastructure

Since April 2012, Atlas has provided guidance that the capital cost of the road infrastructure solutions (off-highway haul road), to be installed coincident with the development of the Mt Webber mine, would be \$120 million. This infrastructure development is being assessed in parallel to the Mt Webber feasibility study with a view to optimize capital expenditure.

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Horizon 1 Projects in Execution - Capital Expenditure

Atlas' Horizon 1 strategy includes the following projects in execution:

Approved Development Projects	Status	Outstanding Construction Capital Expenditure – Board Approved (as at Oct 2012)
Pardoo mine	In production	0
Wodgina mine	In production – expansion 90%+ complete	~\$10mil
Mt Dove mine	First run of mine ore expected in December 2012	~\$15mil
Abydos mine	First run of mine expected by end of June 2013 Quarter	~\$90mil
Utah Point Yard 2 – 10Mtpa	Co-incident with Abydos mine start	~\$50mil
TOTAL		Nom. \$165mil

With the signing of an underwritten 'covenant-lite' funding Facility ("Term Loan") through Credit Suisse, Atlas is now fully funded for the completion of its Horizon 1 production Strategy and is in a financially strong position to manage further volatility in the iron ore price should it arise.

For further details

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