24 February 2011

$30MIL MAIDEN HALF YEAR PROFIT

Atlas Iron Limited (ASX Code: AGO) is pleased to report a net profit for the 6 months ended 31 December 2010 of $30.1 million.

HIGHLIGHTS

- **Net profit of $30.1 million**
- **Gross profit from operations of $69.7 million**
- **Sales Revenue of $201.8 million, up 400% from $41.7 million for the prior period**
- **Second half profits are anticipated to be significantly stronger**
- **Cash cost forecasts for second half confirmed at $40 - 43/t**

Atlas Managing Director David Flanagan commented "Reporting our maiden half yearly profit is another significant milestone for the Company. It represents the culmination of our efforts in the successful development of the Pardoo and Wodgina mines and positions the Company extremely well for the second half of the 2011 financial year and beyond."

Full Year Outlook

Financial performance in the second half of the 2011 financial year is expected to be significantly stronger, reflecting the anticipated impact of increased sales volumes, higher iron ore prices and reduced operating costs relative to the first half.

Production and sales for the current quarter have however been impacted by weather, with several port closures due to a number of cyclonic events in January and February 2011 and unusually heavy summer rains in the intervening periods impacting on mine operations and product haulage. Exports are approximately one shipment behind the Company's schedule required to achieve the 1.5MT production target for the March 2011 quarter.

Net profit in the second half of the 2011 financial year will also be impacted by transaction costs associated with the acquisition of Giralia Resources NL, which were estimated in Atlas' Bidders statement at $48 million, with stamp duty representing the principal component of this cost.

Production cost guidance for the second half of the 2011 financial year remains at $40 - 43/tonne cash costs, with depreciation and amortisation anticipated to be an additional $5 - 7/tonne. These production costs are globally competitive which is a significant achievement given the low capital costs of the Atlas projects.

Further enquiries please contact

David Flanagan, Managing Director

Mark Hancock, Chief Commercial Officer		Tel: +618 9476 7900

Atlas Iron Limited

ABN 63 110 396 168

Interim Financial Report

For the half-year ended 31 December 2010

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Atlas Iron Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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Directors' Report

The directors of Atlas Iron Limited present their report together with the consolidated financial report of Atlas Iron Limited and its subsidiaries (the Company) for the half-year ended 31 December 2010 and the review report thereon.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

Non-executive	Period of directorship
Mr Geoff Clifford	Director since 2007 & Chairman since 2008
Mr David Hannon	Director since 2004
Mr David Smith	Director since 2009
Ms Tai Sook Yee	Director since 2010

Executive	
Mr David Flanagan	Director since 2004 – Managing Director

Review of operations

The operating profit of the Company after income tax for the half-year ended 31 December 2010 amounted to $30,106,000 (half-year ended 31 December 2009 loss: $23,128,000). Sales for the half-year amounted to $201,785,000 (1,625,500 dry metric tonnes) up from $41,748,000 (620,000 dry metric tonnes) for the half-year ended 31 December 2009.

The commissioning of the Utah Point berth in September 2010 has led, not only to an increase in ships loaded, but also to improvement in operating costs. Further improvements are expected with greater utilisation of the Utah Point facility going forward. Operating performance continues to be impacted adversely by the strengthening of the Australian dollar relative to the US dollar.

The profit includes a charge of $13,239,000 (half-year ended 31 December 2009 $9,560,000) for exploration and evaluation expenses which were written off as incurred in accordance with the Company's accounting policy. The focus of exploration activities has mainly been in the southeast Pilbara, with drilling at the Hickman and McCamey's North projects in the Newman area. A short exploratory program was drilled at Hickman, north of Newman, starting in August. Following this the team moved to McCamey's North and drilled there through to the end of the year. Evaluation activities continued in the North Pilbara, with drilling throughout the half-year at the Pardoo and Wodgina operations. An infill program was also completed at Mt Webber pursuant to estimating an ore reserve.

In addition to the activities outlined above the Company successfully acquired Aurox Resources Ltd for $143,068,000 of issued capital. As a result, the Company's export capacity will increase over time by an additional 10 to 12 million tonnes per annum.

The directors consider the performance of the Company during the half-year demonstrates the Company's ability to grow its business and deliver value to shareholders for the remainder of the 2010/11 financial year and beyond.

Auditor's independence declaration

The Auditor's Independence Declaration to the directors of the Company is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2010.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the consolidated interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the directors of the Company.

D Flanagan
Managing Director

Dated this 23 day of February 2011
Perth, Western Australia

Directors' Declaration

The Directors of Atlas Iron Ltd declare that:

(a) the financial statements and notes, as set out on pages 9 to 24 are in accordance with the Corporations Act 2001 including:

(i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance as represented by the results of its operations and cash flows for the half-year ended on that date.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

David Flanagan

Managing Director

Dated this 23 day of February 2011

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Atlas Iron Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

R Gambitta
Partner

Perth

23 February 2011

KPMG

Independent auditor's review report to the members of Atlas Iron Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Atlas Iron Limited (the company), which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Atlas Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Atlas Iron Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

R Gambitta
Partner

Perth

23 February 2011

Condensed consolidated statement of comprehensive income

For the half-year ended 31 December 2010

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Revenue		201,785	41,748
Operating costs	6	(132,101)	(47,243)
Gross profit / (loss)		69,684	(5,495)
Gain on sale of mining properties		-	8,037
Recognised gain on investment transferred from reserves	4	-	10,660
Gain on disposal of property, plant and equipment		4	-
Depreciation and amortisation expenses		(542)	(285)
Exploration and evaluation expenses		(13,239)	(9,560)
Goodwill attributable to exploration assets written off	4	-	(18,330)
Share based payment expenses		(9,773)	(1,344)
Share of loss of associate		(2,027)	(1,152)
Share of loss of joint venture		(143)	-
Business combination expense	4	(4,941)	(5,066)
Other expenses from ordinary activities		(11,103)	(3,370)
Results from operating activities		27,920	(25,904)
Finance income		6,127	3, 817
Finance expense		(3,941)	(1,041)
Net financing income		2,186	2,776
Profit / (loss) before income tax		30,106	(23,128)
Income tax (expense)/benefit		-	-
Profit / (loss) for the half-year		30,106	(23,128)
Other comprehensive income/(loss)			
Gain on revaluation of investments		-	9,373
Realised gain on investment transferred out of reserves		-	(10,660)
Total comprehensive income/(loss) for the half-year		30,106	(24,415)
Profit / (loss) for the half-year attributable to members of the parent		30,106	(23,128)
Total comprehensive income/(loss) for the half-year attributable to the members of the parent		30,106	(24,415)
Basic earnings / (loss) per share (cents per share)		5.8	(5.8)
Diluted earnings / (loss) per share (cents per share)		5.7	(5.8)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

As at 31 December 2010

	Note	31 Dec 2010 $'000	30 Jun 2010 $'000
Assets			
Cash and cash equivalents	7	142,818	154,933
Trade and other receivables	8	59,295	24,423
Inventories	9	15,618	14,862
Total current assets		217,731	194,218
Other receivables	10	39,374	18,083
Investment in equity accounted investee		7,195	2,312
Property, plant and equipment	11	17,793	15,164
Intangibles	12	79,545	3,197
Mine development costs	13	145,034	64,921
Exploration and evaluation expenditure	14	100,750	90,746
Total non-current assets		389,691	194,423
Total assets		607,422	388,641
Liabilities			
Trade and other payables	15	47,307	20,862
Provisions	16	1,956	1,768
Total current liabilities		49,263	22,630
Trade and other payables	15	4,015	-
Provisions	16	9,529	7,011
Total non-current liabilities		13,544	7,011
Total liabilities		62,807	29,641
Net assets		544,615	359,000
Equity			
Share capital	17	654,413	508,677
Reserves	18(a)	26,809	17,036
Accumulated losses	18(b)	(136,607)	(166,713)
Total equity		544,615	359,000

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated interim statement of changes in equity

For the half-year ended 31 December 2010

	Share capital ordinary $ '000	Accumulated losses $ '000	Share based payment reserve $ '000	Investment revaluation reserve $ '000	Total equity $ '000
Opening balance at 1 July 2010	508,677	(166,713)	17,036	-	359,000
Transactions with owners in their capacity as owners:					
Shares issued during the period	2,569	-	-	-	2,569
Capital raising costs	(6)	-	-	-	(6)
Issue of ordinary shares related to business combination	143,068	-	-	-	143,068
Shares to be issued	105	-	-	-	105
Share based payment transactions	-	-	9,773	-	9,773
	654,413	(166,713)	26,809	-	514,509
Profit after tax for the half-year	-	30,106	-	-	30,106
Total other comprehensive income for the half-year	-	-	-	-	-
Balance as at 31 Dec 2010	654,413	(136,607)	26,809	-	544,615

For the half-year ended 31 December 2009

	Share capital ordinary $ '000	Accumulated losses $ '000	Share based payment reserve $ '000	Investment revaluation reserve $ '000	Total equity $ '000
Opening balance at 1 July 2009	309,897	(125,867)	14,600	1,287	199,917
Transactions with owners in their capacity as owners:					
Shares issued during the period	139,610	-	-	-	139,610
Capital raising costs	(3,094)	-	-	-	(3,094)
Share based payment transactions	-	-	1,344	-	1,344
	446,413	(125,867)	15,944	1,287	337,777
Profit after tax for the half-year	-	(23,128)	-	-	(23,128)
Total other comprehensive income for the half-year	-	-	-	(1,287)	(1,287)
Balance as at 31 Dec 2009	446,413	(148,995)	15,944	-	313,362

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated interim statement of cash flows

For the half-year ended 31 December 2010

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Cash flows used in operating activities			
Cash receipts from customers		160,860	41,582
Payments to suppliers and employees		(114,395)	(51,984)
Interest and grants received		3,780	1,955
Payment for security deposits		(5,000)	(1,000)
Expenditure on exploration and evaluation activities		(13,326)	(10,725)
Payments to Aurox suppliers		(4,112)	-
Acquisition transaction costs		(1,491)	(1,466)
Net cash flows from / (used in) operating activities		26,316	(21,638)
Cash flows used in investing activities			
Proceeds from disposal of mining tenements		-	8,500
Acquisition of plant and equipment and intangibles		(6,817)	(5,166)
Proceeds from disposal of plant and equipment		4	-
Acquisition of shares in associated company		(3,129)	(3,012)
Net cash received from acquisition of Aurox	4	3,048	-
Net cash received from acquisition of Warwick		-	2,058
Payments to interests in jointly controlled entities		(3,924)	-
Acquisition of tenements		(100)	(140)
Mine development costs		(23,826)	(13,564)
Net cash flows (used in) investing activities		(34,744)	(11,324)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		2,673	63,225
Proceeds from settlement of derivatives		1,097	743
Share issue costs		(6)	(6,776)
Loan to Aurox Resources Ltd – pre acquisition		(7,670)	-
Net cash flows from / (used in) financing activities		(3,906)	57,192
Net increase/(decrease) in cash and cash equivalents		(12,334)	24,230
Cash and cash equivalents at 1 July		154,933	124,350
Effect of exchange rate changes on cash and cash equivalents		219	(73)
Cash and cash equivalents at 31 December	7	142,818	148,507

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Condensed notes to consolidated interim financial statements

1. Reporting entity

Atlas Iron Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The condensed consolidated interim financial report of the Company as at and for the half year ended 31 December 2010 comprised the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Company's principal activity is the operation of the Pardoo and Wodgina iron ore mines and the development of the Abydos and Mt Webber mines in the Pilbara in Western Australia.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

This condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2010.

This consolidated interim financial report was approved by the Board of Directors on 23 February 2011.

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Basis of preparation

The consolidated interim financial statements have been prepared on a historical cost basis, except for derivative and other financial instruments that have been measured at fair value. The consolidated interim financial statements are presented in Australian Dollars, which is the Company's functional currency.

Significant accounting policies

The accounting policies applied by the Group in the Consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2010.

(i) Operating segments

The Board considers the business from both a product and a geographical perspective and takes the view that the Company operates under one operating segment.

(ii) Estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

Condensed notes to consolidated interim financial statements

4. Acquisition of subsidiary
(a) Current period business combination

Aurox Resources Limited Merger with Atlas Iron Limited

On 13 August 2010, the Group obtained control of Aurox Resources Limited ("Aurox"), an iron ore explorer with projects including the Balla Balla Iron Ore Project situated midway between Karratha and Port Hedland near the West Pilbara coast.

The Group and Aurox executed a Scheme of Arrangement in relation to the merger, under which the Group exchanged one new fully paid ordinary Atlas Iron Limited share for three ordinary Aurox shares. As a result, the Group issued 66,235,000 fully paid ordinary shares at $2.16 per share on the day the Group obtained control of Aurox resulting in a total consideration of $143,068,000.

The merger was effected to create one Group with a growing production profile supported by bulk export port capacity.

The identifiable assets and liabilities of Aurox assumed as at the date of acquisition were:

	Fair Value
	$'000
Cash and cash equivalents	3,048
Port facility prepayment	14,000
Other prepayments	295
Other receivables	1,271
Property, plant and equipment	1,368
Mine development costs	71,456
Mining tenements	10,200
Port access rights	70,930
Trade and other payables	(8,216)
Loans - Atlas Iron Limited	(20,687)
Provisions	(597)
Total net identifiable assets	143,068
Consideration	
Equity consideration	143,068
Cash and cash equivalents acquired	(3,048)
Acquisition of subsidiary, net of cash acquired	140,020

The fair value of the port access rights, mine development costs and mining tenements have been determined on a provisional basis with the fair value, and any tax effect, to be finalised pending completion of an independent valuation and further internal review.

In the period of ownership from 13 August 2010 to 31 December 2010 Aurox contributed finance income of $1,443,000 and a profit of $215,000 to the Company's results. If the acquisition had occurred on 1 July 2010, management estimates that consolidated financing income would have been $6,140,000 and consolidated profit for the year would have been $29,075,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2010.

Condensed notes to consolidated interim financial statements

4. Acquisition of subsidiary (continued)

(a) Current period business combination (continued)

Transactions separate from the acquisition

The Company incurred acquisition-related costs of $4,941,000 relating to stamp duty, advisory fees, external legal fees and due diligence costs, which are separately disclosed in the statement of comprehensive income.

(b) Prior period business combination

On 18 December 2009, the Group obtained control of Warwick Resources Ltd ("Warwick"), an iron ore explorer with a diverse asset portfolio, by acquiring 100 percent of the shares and voting interests in the company. As a result, the Group's equity interest in Warwick increased from approximately 20 percent to 100 percent.

The Group and Warwick had executed a Scheme Implementation Agreement (SIA) in relation to the merger, under which the Group will acquire all of the issued securities in Warwick. Under the SIA, Warwick shareholders received one Atlas share for every three Warwick shares they hold. As a result, the Company issued 41,744,547 fully paid ordinary shares at the closing price Atlas shares traded on the day the Group obtained control of Warwick, of $1.80 per share; resulting in a total consideration of $75,140,000.

The fair values of identifiable assets and liabilities of Warwick as at the date of acquisition were:

	Fair value
	$ '000
Cash and cash equivalents	2,059
Other receivables	776
Property, plant and equipment	74
Mining tenements capitalised	70,000
Trade and other payables	(43)
Provisions	(12)
Total net identifiable assets	72,854
Goodwill	18,330
Total consideration	91,184
Consideration	
Equity consideration	91,184
Cash and cash equivalents acquired	(2,059)
Acquisition of subsidiary, net of cash acquired	89,125

The following fair values have been determined on a provisional basis:

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

Total consideration	75,140
Fair value of previous interest in acquiree	16,044
Less value of identifiable assets	(72,854)
Goodwill	18,330

Goodwill has been written off in full.

Condensed notes to consolidated interim financial statements

4. Acquisition of subsidiary (continued)

(b) Prior period business combination (continued)

The re-measurement to fair value of the Group's existing approximately 20 percent interest in the acquiree at the date of acquisition together with previously recognised increases in fair value at 30 June 2009 resulted in a gain of $10,660,000, which has been recognised in other income.

The goodwill arising of $18,330,000 is attributable to synergies between Warwick's significant landholding in a major iron ore province with potential to host large-scale, long-life projects and Atlas' existing holdings in the area. As the goodwill represents the excess of the consideration paid over the high case valuation contained in the Warwick Independent Expert Report, the Atlas Board has decided to write off goodwill in the current year, notwithstanding the significant potential of the Warwick tenements and the overall uplift in market sentiment for iron ore.

Transactions separate from the acquisition

The Group incurred acquisition-related costs of $5,066,000 relating to stamp duty, advisory fees, external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

5. Financial risk management

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2010.

6. Operating costs

	Consolidated 31 Dec 2010 $'000	Consolidated 31 Dec 2009 $'000
Mining costs	43,084	18,956
Haulage	20,958	7,637
Port costs	22,017	7,232
Shipping costs	21,799	7,841
Royalties	10,776	1,905
Depreciation and amortisation	13,467	3,672
	132,101	47,243

7. Cash and cash equivalents

For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
Cash at bank and in hand	28,818	4,933
Short term deposits	114,000	150,000
	142,818	154,933

Condensed notes to consolidated interim financial statements

8. Trade and other receivables

	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
Trade receivables	38,751	1,297
Goods and Services Tax receivable	5,413	2,030
Interest receivable	907	1,321
Prepayments	778	612
Loan to other entities	395	13,030
Port access prepayment*	10,740	4,248
Security deposits	1,000	1,000
Other receivables	1,311	885
	59,295	24,423

* refer note 10

9. Inventories

Raw materials – at cost	4,753	1,608
Iron ore stockpiles – at cost	10,865	13,254
	15,618	14,862

10. Other receivables

Security deposits	11,326	6,119
Port access prepayment*	28,048	11,964
	39,374	18,083

* An agreement was entered into with the Port Hedland Port Authority to establish the Company as a foundation user of the Public Access port facility located at Utah Point. Contributions of $22,800,000 have been made by the Company and will be recouped against port handling charges incurred on future tonnes shipped over the Berth. $9,800,000 of this prepayment is disclosed under Note 8 Trade and Other Receivables as this is expected to be recouped within the next 12 months. Upon acquisition of Aurox Resources Ltd, a further $14,000,000 port access prepayment has been acquired.

Condensed notes to consolidated interim financial statements

11. Property, plant and equipment

	Consolidated 31 Dec 2010 $'000
Carrying amount at beginning	15,164
Additions	2,650
Additions from business combinations	1,368
Disposals	(18)
Depreciation	(1,371)
Carrying amount at end	17,793

12. Intangibles

	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
Port access rights (a)	79,545	3,000
Other	-	197
	79,545	3,197

(a) Port access rights:

Carrying amount at beginning	3,000
Additions	5,859
Additions from business combinations	70,930
Amortisation	(244)
Carrying amount at end	79,545

Additions to Port access rights comprise payments made regarding the construction of the new berth at Utah Point.

13. Mine development costs

	Consolidated 31 Dec 2010 $'000
Carrying amount at beginning	64,921
Additions	19,270
Additions from business combinations	71,456
Change in rehabilitation provision	1,781
Transfer from mining tenements	-
Amortisation	(12,394)
Carrying amount at end	145,034

Condensed notes to consolidated interim financial statements

14. Exploration and evaluation expenditure

	Consolidated 31 Dec 2010 $'000
Tenement acquisition cost breakdown:	
Carrying amount at beginning	90,746
Additions	74
Additions from business combinations	10,200
Transfers to development costs	-
Disposals	-
Write downs	(270)
Carrying amount at end	100,750

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

15. Trade and other payables

	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
Current		
Accrued expenses	31,146	11,823
Trade payables	5,044	6,409
Royalties payable	9,246	1,104
Other payables and accruals	1,871	1,526
	47,307	20,862
Non-current		
Termination fee payable	4,015	-
	4,015	-

16. Provisions

Current		
Rehabilitation	840	979
Employee benefits	1,116	789
	1,956	1,768
Non-current		
Rehabilitation	8,447	6,377
Employee benefits	96	57
Other	100	-
Demobilisation	886	577
	9,529	7,011

Condensed notes to consolidated interim financial statements

17. Share capital

Summary table - shares	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
547,089,119 (30 June 2010: 473,673,816) Ordinary shares fully paid shares	654,413	508,677

Movements in ordinary share capital	Number of Shares '000	$'000
Beginning of the financial period	473,674	508,677
Issued during the period:		
Ordinary shares issued upon exercise of 20c options	1,000	200
Ordinary shares issued upon exercise of 25c options	23	6
Ordinary shares issued upon exercise of 30c options	2,500	750
Ordinary shares issued upon exercise of 40c options	2,500	1,000
Ordinary shares issued upon exercise of 50c options	300	150
Ordinary shares issued upon exercise of 60c options	625	375
Ordinary shares issued upon exercise of 70c options	50	35
Ordinary shares issued upon exercise of $1.05 options	25	26
Ordinary shares issued upon exercise of $1.06 options	25	27
Ordinary shares issued for acquisition of Aurox Resources Ltd	66,235	143,068
Shares to be issued	132	105
Less transaction costs	-	(6)
	547,089	654,413

Condensed notes to consolidated interim financial statements

18. Reserves and accumulated losses

	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
(a) Reserves		
Share-based payment reserve*	26,809	17,036
	26,809	17,036

The share-based payments reserve is used to recognise the fair value of options issued.

Movements:	
Balance at beginning of period	17,036
Option expense	9,773
Balance at the end of period	26,809

(b) Accumulated losses	
Balance at beginning of period	(166,713)
Net profit / (loss) attributable to members of Atlas Iron Limited	30,106
Balance at the end of period	(136,607)

Condensed notes to consolidated interim financial statements

19. Share-based payments

Employee and contractors option plan

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence.

The terms and conditions of The Option Plan are disclosed in the financial report as at and for the year ended 30 June 2010. The exercise prices of the options granted in the current period are $2.80 to $2.87 respectively per option and have an expiry date of 30 June 2015. All options issued in the current year have vested.

The terms and conditions of the grants made during the six months ended 31 December 2010 are as follows:

Grant Date	Number Granted	Vesting Conditions	Contractual Life
16 August 2010	5,500,000	Immediate	4 years 10 months
30 August 2010	4,750,000	Immediate	4 years 10 months
	10,250,000		

Inputs for measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

Fair value of share options and assumptions	Grant on 16 August 2010	Grant on 30 August 2010
Fair value at grant date	$0.87	$0.84
Exercise price	$2.87	$2.80
Expected volatility	60%	60%
Option life (expected weighted average life)	3.45 years	3.45 years
Risk-free interest rate (based on government bonds)	4.50%	4.50%

The fair value was determined using the Black-Scholes Option Pricing Model.

The basis of measuring fair value is consistent with that disclosed in the Company's financial report as at and for the year ended 30 June 2010.

20. Related parties

The Company participated in a capital raising during the year, acquiring 24,071,800 shares in Shaw River Resources Limited for $3,129,000. This amount has been reflected within the Company's investment in equity accounted investee.

Condensed notes to consolidated interim financial statements

21. Subsequent events

On the 21st December 2010, the Company announced the friendly off-market takeover of Giralia Resources NL ("Giralia"). In consideration for each Giralia share the Company has offered either 1.5 Atlas Iron Ltd shares or 1.33 Atlas Iron Ltd shares and $0.50 in cash. The offer was declared unconditional by Atlas on 14 February 2011 and is scheduled to close on 28 February 2011 (unless extended).

On the 14th February 2011 the Company received acceptance for 59.92% Giralia shares and issued 165,229,221 shares at the closing price of $3.84 per share. At the close of business prior to the day of signing this interim financial report 82.91% of Giralia shares had been acquired. Total consideration for the acquisition to date is $878,761,000 which is made up of cash and shares as shown below:

	$'000
Shares	844,576
Cash and shares	34,185
	878,761

The fair value of the Giralia assets and liabilities will have a significant impact on the acquisition accounting treatment and resulting tax effect of the acquisition due to the transaction's complexity. Management believes it is important to obtain an independent valuation on the intangible exploration and evaluation assets in order to finalise these positions. Therefore the provisional fair values of the identifiable assets and liabilities of Giralia, as at the date of acquisition, have not been completed.

The review of fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition date at the latest.

On 10 February 2011 the Company loaned $7,499,000 (USD 6,200,000 equivalent) to Shaw River Resources Ltd in the form of the issue of 2,053,114 Atlas Iron Ltd shares to third parties. The interest bearing loan is repayable by Shaw River Resources Ltd on or before 15 July 2011. In addition, the Company subscribed for 34,053,849 shares in Shaw River Resources on 10 February 2011 at a cost of $4,622,000.

Other than the matter noted above, no matters have arisen since 31 December 2010, which have significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Condensed notes to consolidated interim financial statements

22. Contingencies and commitments

Contingencies

Contingent Liabilities

On 13 August 2010, following the successful merger between Aurox Resources Limited and Atlas Iron Limited, legal proceedings were brought by New Holland Capital Pty Limited ('New Holland') with total claims for $3,336,000. The Company denies New Holland's claims and is to defend the proceeding brought in respect of these claims.

The Company has bank guarantees predominantly related to security deposits for the Company to maintain its mining tenements and enter into hedge arrangements. The total bank guarantees on issue at period end are $11,890,000.

Tenement commitments

The Company has certain contractual commitments to meet minimum expenditure requirements on the mineral tenement assets it has an interest in. Outstanding exploration commitments are as follows:

	Consolidated 31 Dec 2010 $'000	Consolidated 30 Jun 2010 $'000
Not later than one year	7,316	5,942
	7,316	5,942

Lease expenditure commitments

Operating leases (non-cancellable)		
- Not later than one year	1,816	1,724
- Later than one year and not later than five years	6,710	3,032
- Later than five years	260	-
Aggregate expenditure contracted for at reporting date	8,786	4,756

The Company has entered into leases for office and accommodation buildings, motor vehicles and office equipment.