



25 January 2012

HIGHLIGHTS FOR THE DECEMBER 2011 QUARTER

- 1.39Mt (WMT) shipped during the December 2011 quarter taking Atlas' shipments for the December 2011 half year to 2.85Mt (WMT)
- Atlas achieved an average price per tonne for its 57.5% Fe product of ~ USD 120/t CFR (DMT) for the December 2011 quarter
- Cash operating costs (FOB, excluding royalties) remain consistent with guidance of \$42-45/t range for the 2012 financial year
- \$380 million cash on hand at 31 December 2011
- Wodgina expansion on target for completion in the June 2012 quarter
- Horizon 1 Strategy feasibility studies (inclusive of rail analysis) are expected to be completed by 31 March 2012
- Agreements signed to sell the Balla Balla and Yerecoin magnetite projects
- Ex-Ernst & Young Perth managing partner, Jeff Dowling, appointed as an independent non-executive director and appointed as chairman of the Audit and Risk Committee
- Subsequent to the quarter end, adverse weather conditions arising from Tropical Cyclone Heidi, including heavy rain in the Pilbara and damage to the Utah ship loading facility, has disrupted mining, haulage and shipping in January 2012. Consequently, Atlas now expects to ship approximately 5.5 to 5.7Mt (wet) for the 2012 financial year (6Mt target).

“This has been a robust performance from Atlas in the face of some difficult conditions outside its control. The team have delivered close to our production targets within cost guidance. Further, the sales of two of our magnetite projects have been agreed, we have completed 60,000 metres of drilling, continued the Wodgina expansion project and advanced delivery of our Abydos and Mt Dove DSO projects,” commented Atlas Managing Director, David Flanagan.

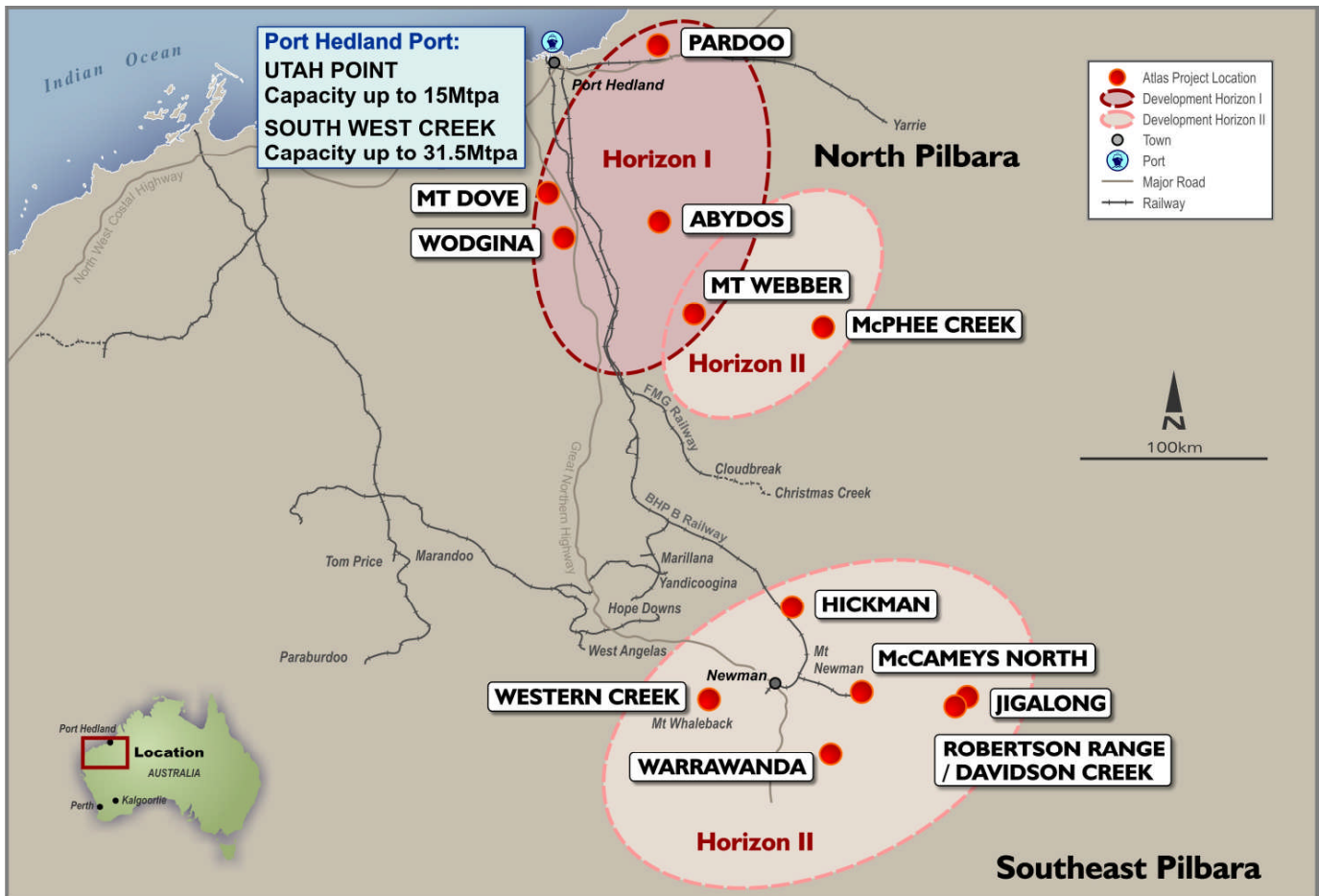


FIGURE1 - Atlas: Pilbara's Emerging Powerhouse

INTRODUCTION

Atlas first commenced exports from Pardoos DSO project in the Pilbara of Western Australia at a rate of 1Mtpa in December 2008 and following commencement of its second operation at Wodgina in June 2010, Atlas achieved export rates of 6Mtpa. Atlas is planning to commence a further 3 mines in the North Pilbara to achieve exports at a rate of 12Mtpa by the end of the 2013 financial year. With the addition of McPhee Creek and its South East Pilbara assets, the Company plans to further expand its exports to 46Mtpa during the 2017 calendar year.

These are ambitious and achievable targets which have the potential to deliver significant value to Atlas shareholders and major benefits to the broader community within which we operate.



OPERATIONS

MINE PRODUCTION AND SHIPPING

| Table 1: Production | | | | |
|----------------------------|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| | December Quarter '11 (t) | September Quarter '11 (t) | Variance Quarter (t) | Variance Quarter (%) |
| Ore Tonnes Mined | 1,297,371 | 1,462,187 | (164,816) | -11% |
| Ore Tonnes Processed | 1,485,308 | 1,416,909 | 68,399 | 5% |
| Haulage to Port | 1,401,163 | 1,407,784 | (6,621) | 0% |

Note 1: See Appendix 1 for detail of mine production at Pardoo and Wodgina

| Table 2: Inventory and Shipping | | | | |
|--|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Inventory | December Quarter '11 (t) | September Quarter '11 (t) | Variance Quarter (t) | Variance Quarter (%) |
| Run of Mine Ore Stocks | 190,367 | 339,385 | (187,689) | -55% |
| Final Product Stocks – Site | 185,167 | 100,258 | 84,909 | 85% |
| Final Product Stocks - Port | 48,140 | 33,653 | 14,487 | 43% |
| Shipping | | | | |
| Ore Tonnes Shipped (Wet) | 1,387,379 | 1,464,653 | (77,274) | -5% |
| Ore Tonnes Shipped (Dry) | 1,292,307 | 1,368,619 | (76,312) | -6% |

Production for the December 2011 quarter resulted in Ore Tonnes Shipped of 1.39Mt. This reflects a shortfall of 1 vessel which is attributed to unplanned crusher breakdowns at Wodgina which has impacted the timing of Wodgina 57.5% Fe product crushing and haulage to port. In December 2011, an improvement in processing performance at Wodgina resulted in combined output from the sites of 556kt.

During October 2011, Atlas commissioned a mobile crush and screen plant at Wodgina as part of a marketing strategy to test the market for lower grade product. Two shipments of lower grade product were completed during the December 2011 quarter.

Further to Global Advanced Metals' recent announcement on the suspension of tantalum mining at Wodgina, Atlas expects to have access to 100% of the Wodgina crush and screen plant by April 2012.



Cash operating costs of production remain stable month on month, and continue to be consistent with guidance of \$42-45/t for the 2012 financial year.

Mining, haulage and shipping in January 2012 have been impacted by adverse weather associated with Tropical Cyclone Heidi including heavy rain. In addition, the Utah ship loading facility in Port Hedland was damaged by Tropical Cyclone Heidi. Repairs to the Utah ship loading facility have taken longer than expected and resulted in delays to the recovery of operations at Utah. This has the effect of reducing Ore Tonnes Shipped for the 2012 financial year to approximately 5.5 to 5.7 Mt (wet).

MARKETING

Iron ore sales for the December 2011 quarter were 1.39Mt WMT (1.29Mt DMT), marginally down from the September 2011 quarter (1.46Mt WMT (1.36Mt DMT)).

Iron Ore prices fell significantly over the December 2011 quarter due to softening in Chinese steel demand, a spike in iron ore supply into China and uncertainty over Europe's financial position. The 62% Fe index fell from USD170 per DMT to USD116.75 per DMT in October 2011 alone, before recovering somewhat over the remainder of the quarter and finished December 2011 at USD139 per DMT for 62% product.

The dramatic movement in price led to a number of major producers moving from quarterly lagged pricing to short term reference points, a trend which Atlas followed. This resulted in lower pricing in the December 2011 quarter but will provide more immediate exposure to price increases in the future and is considered by Atlas to be a preferable long term model.

Atlas' average sale price for its standard 57.5% Fe product for the December 2011 quarter was USD 120 per DMT and demand remained strong over the period at market price.

In addition to the standard 57.5% Fe product, as referred to in the "Operations" section above, as part of Atlas' marketing strategy two shipments of Atlas "Value Fines" occurred over the December 2011 quarter. These lower grade shipments averaged 54% Fe and were sold at a discounted price on a spot basis. This has enabled Atlas to generate revenue from product which historically would have been mined as waste. Atlas will look to perform similar shipments in the future as the opportunity arises.

PROJECTS

Since embarking on its Pilbara Iron Ore development strategy in 2006, Atlas has focussed on building a strong mine project and infrastructure pipeline that provides various development options for the Company. In so doing, Atlas now has many and varied development options in front of it, with the cash flow from existing and future mines to assist in underwriting its development objectives. Furthermore, with many feasibility studies and two mine developments behind it, Atlas now has the track record, skills and experience to optimise these options and continue to deliver on its development strategy.

During the December 2011 quarter, Atlas spent \$27.7 million on project development, with the greatest share of expenditure aligned with the Wodgina Expansion project (underway) and detailed engineering works contributing to the various feasibility and execute projects underway to support the Company's growth initiatives.

Late in the December 2011 quarter, the Company was advised by the regulatory authorities that its Mount Dove DSO Project will not be subject to assessment via EPA processes. As such, Mt Dove is now confirmed as the Company's next mine development with works likely to



commence at the site from approximately May 2012. First production contributing to Atlas shipped tonnes will be later in the 2012 calendar year.

EXPLORATION AND RESOURCE DEVELOPMENT

During the December 2011 quarter the Company drilled 661 RC holes and 34 diamond holes for a total of 59,377 metres across its Pilbara projects. The main focus of drilling was the McPhee Creek project, where up to five rigs were operating during the December 2011 quarter, with rigs also active at Abydos, Mt Webber and Jigalong.

Infill drilling is progressing well at McPhee, where the field priorities have been focused on adding definition and geological knowledge in the broader southern zones and then moving progressively north. The bulk of the known mineralisation has now been drilled on 100 metre fences and all resultant data is being collated for a resource update. During the December 2011 quarter Atlas completed \$24.5 million of expenditure on exploration and evaluation studies, resource development and camp establishment.

Full field activity is currently on hold during the wet season hiatus, and drilling will resume at the start of February 2012. During the March 2012 Quarter the Exploration team will start to hand over McPhee Creek to Resource Development, and move on to other new targets including Corunna Downs. Exploration drilling is also scheduled to continue in the Southeast Pilbara at the Jigalong project.

CORPORATE

Off-Market Takeover for FerrAus Ltd (FRS)

On 5 October 2011, Atlas successfully closed its off-market takeover offer for all the shares in FerrAus Limited ("FerrAus"). During the December 2011 quarter Atlas completed the compulsory acquisition of the outstanding FerrAus shares. The finalisation of the takeover crystallised the obligation to pay stamp duty on the underlying land rich assets of FerrAus. Stamp duty and takeover advisory fees for both companies have been expensed and total approximately \$20 million.

Magnetite Projects

Commercial negotiations have continued during the December 2011 quarter with potential investors or partners in the Ridley magnetite project. Sale agreements were executed during the December 2011 quarter on two other magnetite projects as follows:

Balla Balla

On 16 December 2011 the Company announced that it has entered into an agreement to sell its Balla Balla magnetite project to Forge Resources Limited [ASX Code: FRG] for \$40 million. The proceeds will be paid in two stages. A royalty payment will also be payable based on tonnes sold.

Yerecoin

On 23 December 2011 the Company announced that it had agreed to sell its Yerecoin magnetite project to Cliffs Natural Resources (Cliffs) for \$18 million cash, with the full amount payable when the deal is completed, being on or before 31 January 2012. Further payments may be payable based on magnetite and direct shipping ore reserve tonnes.



Centaurus Metals Limited

Atlas holds a 19.85% strategic interest in Centaurus Metals Limited (ASX code: CTM) ("Centaurus"), an emerging Brazilian iron ore explorer and developer (see Centaurus' website: www.centaurus.com.au for further details).

Shaw River Manganese Limited

As Shaw River's major shareholder, Atlas is continuing to support Shaw River's initiatives to build a significant manganese exploration and development portfolio. Work is continuing on Shaw River's 'Otjo' Manganese project in Namibia with Shaw River expecting to be in production in 2012 (see Shaw River's website: www.shawriver.com.au for further details).

Appointment of independent director

During the December 2011 quarter, Ex-Ernst & Young Perth managing partner, Jeff Dowling, was appointed as an independent non-executive director. Since his appointment as a director, Mr Dowling has been appointed chairman of the Company's Audit and Risk Committee.



CORPORATE PROFILE

Directors

David Flanagan, Managing Director
David Hannon, Non-Executive Chairman
Dave Smith, Non-Executive Director
Tai Sook Yee, Non-Executive Director
Jeff Dowling, Non-Executive Director

Company Secretary

Tony Walsh

Executive Management

Ken Brinsden, Chief Development Officer
Mark Hancock, Chief Commercial Officer
Jeremy Sinclair, Chief Operating Officer

Registered Office and Head Office

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Tel: +61 8 9476 7900
Fax: +61 8 9476 7988
Website: atlasiron.com.au

Share Details as at 31 December 2011

894,674,560 ordinary shares

Unlisted Options as at 31 December 2011

18,825,000 Unlisted Options

Substantial Shareholders as at 31 December 2011

IMC Group: 66.75 mil shares
Schroder Investment Management Australia: 50.33 mil shares (63.5mil as at 6 January 2012)
Blackrock Investment Management: 48.98 mil shares

Reporting Calendar

31 December 2011 Half Year Report: 28 February 2012
Horizon 1 Feasibility Study results: By end of April 2012
March 2012 Quarterly Report: 24 April 2012

**Appendix 1 – Mine Production at Pardoo and Wodgina**

| Table A: Mine Production – Pardoo | | | | |
|--|---|--|-------------------------------------|-------------------------------------|
| | December Quarter '11 (t) | September Quarter '11 (t) | Variance Quarter (t) | Variance Quarter (%) |
| Ore Tonnes Mined | 379,751 | 515,729 | (135,978) | -26% |
| Ore Tonnes Processed | 429,024 | 491,710 | (62,686) | -13% |
| Haulage to Port | 457,932 | 458,372 | (440) | 0% |

| Table B: Mine Production – Wodgina | | | | |
|---|---|--|-------------------------------------|-------------------------------------|
| | December Quarter '11 (t) | September Quarter '11 (t) | Variance Quarter (t) | Variance Quarter (%) |
| Ore Tonnes Mined | 917,620 | 946,458 | (28,838) | -3% |
| Ore Tonnes Processed | 1,056,284 | 925,199 | 131,085 | 14% |
| Haulage to Port | 943,231 | 949,412 | (6,181) | -1% |

COMPETENT PERSONS AND JORC COMPLIANCE STATEMENT**Exploration Results**

The information in this report that relates to exploration results is based on information compiled by Mr Andrew Paterson who is a member of the Australian Institute of Mining and Metallurgy and an employee of Atlas Iron Limited. Andrew Paterson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Andrew Paterson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Dollars

Means Australian dollars.