



JUNE 2009 QUARTERLY REPORT

31 July 2009

ATLAS IRON LIMITED

ASX SYMBOL: **AGO**

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About Atlas Iron Limited

- Atlas is a rapidly growing iron ore explorer and miner in the Pilbara of Western Australia.
- The Company commenced export of iron ore from Pardoo in December 2008 and is on target to grow production to 2.5Mtpa by 2010.
- With Wodgina, Abydos and Mt Webber DSO projects, the Company is targeting total export tonnage of 6Mtpa from 2010 and 12Mtpa by 2012.

HIGHLIGHTS FOR THE QUARTER

- 287,837 ore tonnes mined for the quarter.
- 265,499 ore tonnes processed for the quarter.
- 152,091 dry tonnes shipped for the quarter.
- On target to achieve 1 million tonnes of exports this calendar year.
- Increased Pilbara DSO Resources by >65% to 94.9 million tonnes.
- Increased Pilbara DSO Reserves by >70% to 25.5 million tonnes.
- Further successful drill results from North Pilbara projects:
 - 40 metres at 61.5% Fe at Wodgina;
 - 42 metres at 60.9% Fe at Mt Webber; and
 - 36 metres at 60.9% Fe at Turner River.
- Completed Ridley Magnetite Prefeasibility Study and reported Probable Ore Reserve of 970 million tonnes at 36% Fe.
- Raised \$120 million via placement and share purchase plan.

Subsequent to the end of the June Quarter

- Upgraded Wodgina resource to the Indicated Resource category and reported initial reserves.
- Further 151,276 dry tonnes shipped in early July 2009, taking the total shipped since December 2008 to 560,790 dry tonnes.
- Concluded Wodgina feasibility study outcomes.
- Atlas board has resolved, subject to environmental permitting and Utah berth completion, Atlas will commence operations at Wodgina.

INTRODUCTION

Atlas Iron Limited (Atlas or Company) is exporting iron ore through the port of Port Hedland and actively exploring for Direct Shipping Ore (DSO) in the Pilbara of Western Australia. With a growing number of high quality iron ore projects and one of the largest exploration landholdings in the Pilbara, the Company is defining resources and reserves capable of being mined with relatively low capital expenditure. The Company is targeting a total of 175 to 235 million tonnes of iron ore at between 57% Fe and 60% Fe from its combined Pilbara projects.

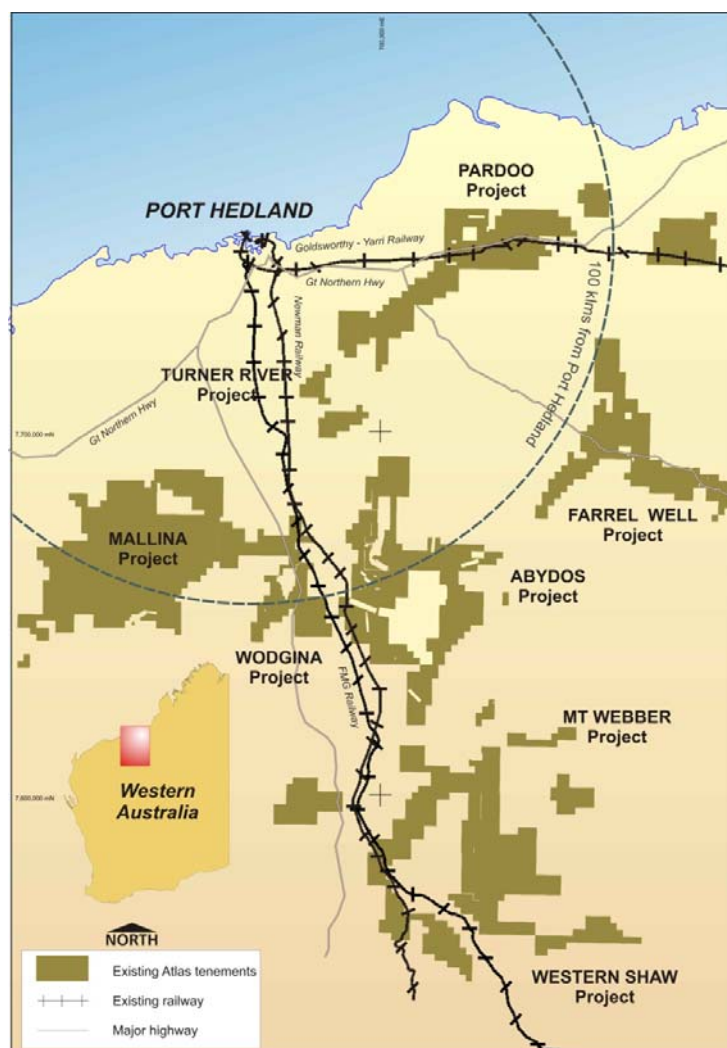


Figure 1: Pilbara Project Location Plan

While exporting iron ore from the Pardoo mine (Atlas' first mine development), Atlas is also active in feasibility assessment, new acquisitions, target generation and grass roots exploration. Ongoing project definition through acquisition, exploration and feasibility projects has delivered a strong project pipeline which the Company considers has the potential for production rates up to 12 million tonnes per annum of Direct Shipping Ore (DSO) by 2012.

As the Company demonstrates its capacity to discover, assess and execute, it is well positioned to advance a number of projects concurrently with the intention to both expand the Company's production base and extend mine life.

PARDOO PROJECT

Atlas' Pardoo Project is located 75 kilometres by road from the Public Access Port of Port Hedland, in the Pilbara of Western Australia. Mining, processing and direct shipping iron ore exports are now in progress, with the company having shipped 560,790 tonnes up to mid-July. Mine production is now operating at 1 million tonnes per annum, consistent with our schedule. Production at Pardoo is anticipated to reach an annualised rate of 2.5Mt during 2010 with an ultimate target of 3 Mtpa.

Pardoo DSO Mine Development and Production

Mine production during the quarter was primarily derived from the Bobby and Alice East pits, with development and initial ore production underway from the Alice West pit. The June quarter constituted the first full quarter's production delivering into the Company's longer term iron ore sales contracts with customers.

Table 1 below outlines the June 2009 quarter production in comparison to the previous quarter (March 2009).

Table 1: Pardoo Mine Production				
	June Quarter 09 (t)	March Quarter 09 (t)	Variance Quarter (t)	Variance (%)
Ore Tonnes Mined	287,837	225,923	61,914	+27%
Ore Tonnes Processed	265,499	234,329	31,170	+13%
Ore Tonnes Shipped (Dry)	152,091	200,771	-48,680	-24%

Mine production and ore tonnes processed have exceeded the targeted 1Mtpa production rate during the quarter. Total tonnes shipped during the quarter were impacted by the timing of a cape size shipment in early July (151,276 dry tonnes).

Further exploration drilling, resource development drilling and focused mine planning initiatives have delivered additional Ore Reserves at Pardoo, with the addition of the Emma, Chloe and Alice East Extension Reserves to the Projects pit inventories. Reserves for the Pardoo Project now stand at 8.4Mt at 57.4% Fe, a 14% increase compared to the previous Reserve statement, with improvements in overall Fe grade, and lower Alumina and Phosphorous evident. Please refer to Atlas' previous Resource and Reserve Update announcement dated 29th July 2009.

Consistent with Company's objective of growing the Pardoo Mine production to 3Mtpa work is underway to expand the mine's production base further, including consideration for the installation of a larger crushing and screening plant (via contract arrangements), to handle the increased throughput. The tender process is well underway with the revised crushing and screening contract likely to be awarded by mid-August.

Pardoo Performance

Iron ore sales are on track to reach the targeted level of 1 million WMT for the 2009 calendar year, with 531,981 WMT (351,422 DMT) shipped for the year to date following completion of the latest shipment on 9 July. Shipments to 30 June totalled 372,364 WMT (351,422 DMT).

While demand for product from Atlas' customers has been strong, the pricing environment has been challenging as the major producers have sold large volumes of product into the spot market in the absence of a benchmark price being agreed.

Sales concluded by Atlas for the quarter to long term customers have also been priced according to the prevailing spot market. Sales from the date of this report will be concluded using provisional pricing and based off the Benchmark Price agreed in the Asian markets other

than China, less applicable adjustments for Atlas' ore. Record levels of chartering activity by major industry players in June pushed capsize shipping rates on the WA – China trade to 2009 highs, impacting margins received on a delivered basis.

While the business environment was challenging and operating costs were impacted by the temporary facilities in key areas such as crushing and screening, the company was operating cashflow positive during its first year of operations.

Positive pricing data has emerged after quarter end in the form of a considerable increase in spot prices, which now exceed the equivalent benchmark price agreed with major Asian markets outside of China.

Net Australian dollar revenue has also been impacted during the quarter by the dramatic increase in the value of the Australian dollar versus the USD dollar. The dollar rose from 69.1c to 80.7c, an increase of some 17% for the quarter.

The company entered no currency hedges during the quarter but subsequent to quarter end has entered forward exchange contracts totalling US\$6 million at an average rate of USD 77.7 cents, with settlement in August 2009.

WODGINA DSO PROJECT

The Wodgina DSO Project is located approximately 100 kilometres south of Port Hedland and immediately adjacent to the existing Wodgina Tantalum mine, owned by Talison.

Exploration and Resources

During the June Quarter 332 RC holes and 13 diamond holes were completed at Wodgina, for a total of 23,112.6 metres. Work was focused on infilling the newly discovered resource areas, starting with Anson, to convert them from Inferred to Indicated category pursuant to preparing ore reserves. The Anson and Dragon resource envelopes have now been drilled to an average 20 by 40m spacing, and work has moved on to similar definition drilling at Constellation.

In May 2009 the new Wodgina resource estimation was completed, resulting in an increase of approximately 34.6 million tonnes in Inferred resources from the previous total to a new figure of 42.7 million tonnes at 56.3% Fe, reported at a 53% Fe cut-off.

Additional Aboriginal heritage surveys have been completed along the Wodgina Hills north of the mine area, with a view to accessing these areas later in 2009. This area is felt to have excellent potential to significantly add to the existing resource inventory at Wodgina.

Mine Development

Following the Company's significant exploration success at Wodgina and the signing of the detailed agreement with Talison for access to the existing Wodgina mine infrastructure, and following completion of preliminary mining and engineering studies for the Wodgina DSO Project, Atlas has confirmed that the Wodgina DSO Project will be the next mine development for the Company.

Atlas has previously announced that it had entered into a binding Heads of Agreement which contemplates infrastructure sharing with Talison Pty Ltd, the owners of the Wodgina Tantalum mine. The ability of the Company to access the Wodgina mine infrastructure provides significant advantages in the Wodgina project's development through reduced up-front capital expenditure, improved environmental approvals processes and reduced operating expenditure. Infrastructure sharing opportunities are enhanced further with the ongoing exploration success Atlas is generating from its Wodgina exploration activities.

Detailed feasibility work has been completed and the results of the Feasibility Study are set out in the announcement dated 31 July 2009. The Company's Feasibility Study had determined that the project could commence in early 2010 at an initial production rate of 2MT pa, growing to 3MT pa during the latter part of 2010. Mine development capital expenditure is expected to be circa \$10M.

Mine engineering, environmental assessment, Native Title negotiations and other project development initiatives are well advanced.

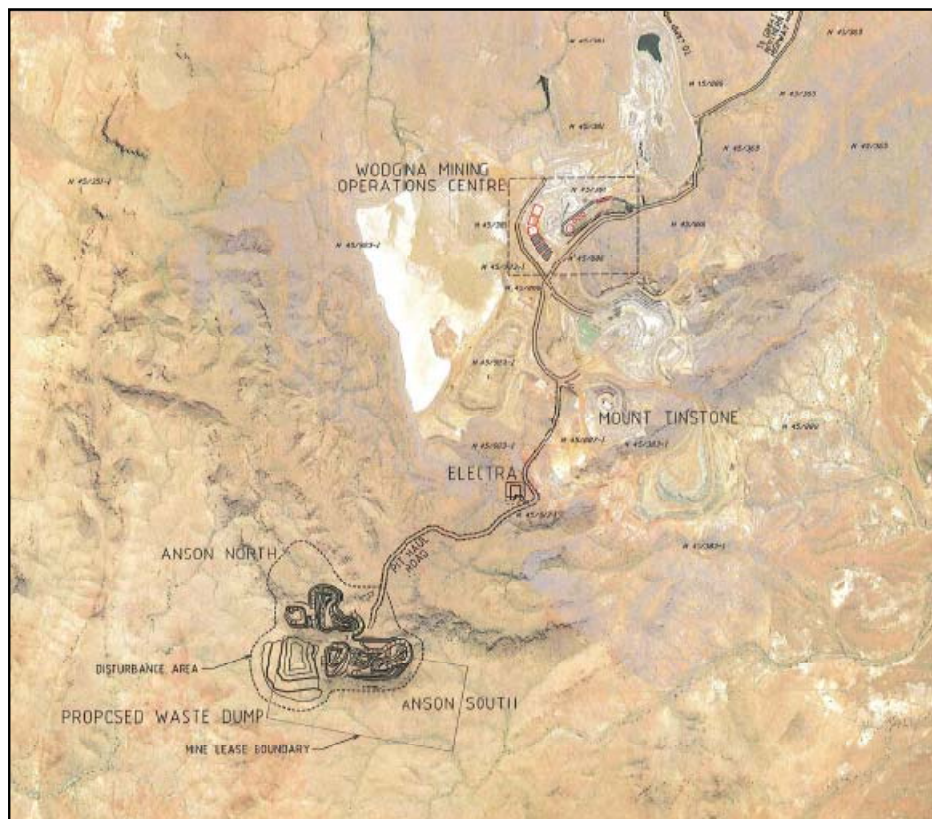


Figure 4: Wodgina Project Initial Mine Development Layout

ABYDOS DIRECT SHIPPING ORE (DSO) PROJECT

The Abydos Project is located 100 kilometres south of the Public Access Port of Port Hedland in the Pilbara of Western Australia. Similar to Pardoo, the project area contains potential for hosting significant bedded supergene iron ore deposits (BID) and channel infill deposits (CID). The project area contains prospective Archaean banded iron formation host rocks abutting BHP-Billiton State Agreement tenements, known to host iron ore mineralisation.

Mine Development

Together with the Wodgina and Pardoo Projects, the Abydos DSO project will contribute to the Company's objective of growing production to 9Mtpa by 2011.

All studies contributing to the proposed Abydos mines approvals process are either completed or nearing completion. Upon completion of the aforementioned surveys and studies, the data will then be compiled for inclusion within the 'Environmental and Social Impact Assessment' that will form the basis for the ongoing project approvals in line with government requirements.

MT WEBBER DSO PROJECT

The Mt Webber DSO project is located approximately 150km southeast of Port Hedland, 40km east of the FMG railway line and adjacent to the Woodstock – Marble Bar road. The project is the fourth of Atlas's main project areas, along with Pardoo, Wodgina and Abydos, which are expected to underpin the Company's expansion through to 2012.

Exploration

First-pass exploration drilling commenced at Mt Webber in late April 2009. During the quarter the Company drilled 178 RC holes for a total of 7,810m, primarily at the Ibanez prospect (131 holes) but also a number of holes across the secondary prospects MW3, MW4 and MW5. Drilling will resume in the September quarter on the remaining prospects MW2 and MW6.

As announced on 21 May and 19 June 2009, the Mt Webber drilling was immediately successful in discovering ore-grade iron enrichment with low levels of contaminants.

TURNER RIVER DSO PROJECT

The Turner River project area is located approximately 65km south of Port Hedland and includes a number of prospects, including potential bedded iron (BID) and channel iron (CID) deposits.

The Mt Dove prospect, located 11km from the Great Northern Highway north of Wodgina and within the Turner River project area, was the subject of an iron ore rights agreement with De Grey Mining Limited. Drilling at Mt Dove during the June Quarter consisted of a 20-hole RC program for 798.

These results have now been collated and interpreted. Mt Dove now has an inferred resource estimate of 2.5 million tonnes at 58.5% Fe, 6.1% SiO₂, 1.8% Al₂O₃, 0.11% P and 7.9% LOI.

DSO RESERVES AND RESOURCES

As announced 29 July 2009, the Company has recently updated its Direct Shipping Ore (DSO) resource and reserve inventories. Resources increased by 67%, compared to January 2009, to 94.9 million tonnes at 56.5% Fe. Ore Reserves increased 72% year-on-year to 25.5 million tonnes at 58.5% Fe.

The resource and reserve summaries are tabled below.

Atlas Summary Resource Table - July 2009									
Project Area	Resource Classification	Kt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)	CaFe (%)
Total	Measured	2,150	56.6	6.7	2.5	0.17	0.02	9.1	62.3
	Indicated	36,838	57.2	6.8	1.7	0.09	0.02	8.8	62.7
	Inferred	55,952	56	7.4	2.3	0.07	0.05	9.0	61.5
Total	All Resources	94,940	56.5	7.2	2.1	0.08	0.04	8.9	62.0

Table 2: Atlas Iron resource summary July 2009

Atlas Summary Ore Reserve Table - July 2009									
Project Area	Reserve Classification	Kt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)	CaFe (%)
Total	Proved	1,250	57.4	5.9	2.1	0.16	0.02	9.0	63.1
	Probable	24,459	57.9	5.9	1.6	0.09	0.02	8.7	63.5
Total	All Reserves	25,465	57.9	5.9	1.7	0.09	0.02	8.7	63.5

Table 3: Atlas Iron ore reserve summary July 2009

Note: CaFe% is calcined Fe calculated by Atlas using the following formula: $(\text{Fe}\% / (100 - \text{LOI}\%)) * 100$.

For additional detail, please refer to the Company's announcement of 29 July 2009.

RIDLEY MAGNETITE PROJECT

Pre-feasibility Study

During the quarter the Company's project engineers, Engenium, completed a pre-feasibility study (PFS) into the Ridley Magnetite Project. This study assessed the viability of a 48Mtpa mining operation, feeding ore to a concentrator via in-pit crushing and conveyor belts, to produce 15Mtpa of concentrate at a grade of 68.3% Fe. The study envisaged delivery of the concentrate via pipeline to an offshore trans-shipping facility, to be loaded onto Capesize vessels for export. The project requires a 330MW power station, and an approximate workforce of 744 people.

The PFS concluded that the project would have an establishment cost of A\$2,722 million plus \$250 million in contingencies, and would operate at an average cost of A\$36.22/t concentrate FOB, with a conceptual mine life of over 30 years.

For full details of the PFS outcomes please refer to the Company's announcement of 14 April 2009.

Initial Ore Reserve statement

During the quarter, the Company released an initial JORC-compliant ore reserve for the Ridley Magnetite Project. The ore reserve was calculated by AMC Consultants, based on the mineral resource estimated by CSA Global which was announced in 2008.

Mineral resources were converted to ore reserves recognising the confidence level of the mineral resource, and reflecting modifying factors in accordance with the JORC code. The details of the ore reserve estimate are contained in the table below.

Ridley Ore Reserve Estimate					
Reserve Classification	Tonnes (Mt)	Fe (%)	Concentrate Product (Mt)	Fe in Concentrate (%)	SiO ₂ in Concentrate (%)
Probable Ore Reserve	970	36.0	330	68.3	3.8
Total Ore Reserve	970	36.0	330	68.3	3.8

Table 5: Ridley Ore Reserves

For additional detail, please refer to the Company's announcement of 14 April 2009.

Identification of a Joint Venture Partner

Following completion of the Ridley PFS focus has turned to identification of a joint venture partner to assist in development of the ongoing development of the project.

Atlas' preferred model is to divest a majority equity holding in Ridley in return for an upfront cash component and assistance in arranging funding Atlas' share of project development costs

The company has received numerous expressions of interest from major international corporations and has had advanced discussions with several parties. Discussions are ongoing with those parties and a leading international investment bank is being appointed to assist in the process and ensure global coverage is achieved.

Completion of the process is targeted for the December quarter of 2009.

PILBARA INFRASTRUCTURE DEVELOPMENTS***Port Hedland Port Authority – Utah Berth Facility***

Negotiations continued during the quarter with PHPA to finalise the formal agreement amendment to increase Atlas' entitlement to 6Mtpa to February 2012.

Construction of the berth continued during the quarter, with completion still expected during the June quarter of 2010.

North West Iron Ore Alliance

Atlas Iron is a founding member of the North West Iron Ore Alliance (NWIOA), a group of independent iron ore producers and explorers progressing projects in the Pilbara of Western Australia.

The NWIOA is progressing the development of its South West Creek port and stock handling facility, with the commencement of pre feasibility works expected to start during the current quarter.

CORPORATE

At the end of the June 2009 quarter Atlas Iron Limited had 342,830,715 shares on issue. The top 20 shareholders hold approximately 57% of the issued capital. Since the end of the quarter report the Company has issued 47,204,806 shares pursuant to the second tranche of the placement announced on 15 June 2009 and Atlas's Share Purchase Plan

As at 30 June 2009 the Company had \$124 million of cash on hand, which has increased to \$164 million as at 29 July 2009 following completion of the placement and share purchase plan.

Since the last quarterly report the Company has issued 43,524,893 shares. The shares were issued as follows;

Allotment under Tranche 1 of June 09 capital raising - 40,013,970 shares.

Exercise of options - 875,000 shares.

Issues to vendors of iron ore rights and infrastructure access rights – 2,635,923 shares

SHAW RIVER RESOURCES LIMITED

At the date of this report Atlas holds a 42.73% interest in Shaw River Resources Limited (Shaw) (ASX Code: SRR). Shaw holds non iron ore mineral rights over the majority of Atlas' Pilbara tenements. For further details on Shaw River's activities, please refer to Shaw River's Quarterly Reports or its website (www.shawriver.com.au).

WARWICK RESOURCES LIMITED

Atlas holds a 19.37% interest in Pilbara based iron ore explorer, Warwick Resources Ltd (Warwick) (ASX Code: WRK) acquired via a placement and off-market purchases. For further details on Warwick's activities please refer to Warwick's Quarterly Reports or its website (www.warwickresources.com.au).

PLANNED WORK SEPTEMBER 2009 QUARTER

- Wodgina – Infill Drilling, iron ore marketing discussions and continue environmental permitting activities.
- Mt Webber – Resource estimation work and drill test further outcropping DSO targets.
- Abydos – Continue environmental permitting work and commence iron ore marketing discussions
- Pardoo – Commence camp construction and award new crush and screen contract as part of upgrade to 2.5Mtpa.

COMPETENT PERSONS AND JORC COMPLIANCE STATEMENTS***Geological Data, Interpretation and Resource Estimation – Alice, Clare, Hubert, Glenda, and Connie Resources***

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack & Mr Richard Gaze who are members of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited and Richard Gaze is a full time employee of Golder Associates Pty Ltd. Tony Cormack & Richard Gaze have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Tony Cormack and Richard Gaze consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Bobby, Floyd, Emma, Olivia, Avalon Point, Mettams, Mullaloo, and Trigg Resources

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack & Mr David Williams who are members of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited and David Williams is a full time employee of CSA Global Pty Ltd. Tony Cormack & David Williams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Tony Cormack and David Williams consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – South Limb and Dean Resources

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack & Mr Malcolm Titley who are members of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited and Malcolm Titley is a full time employee of CSA Global Pty Ltd. Tony Cormack & Malcolm Titley have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Tony Cormack and Malcolm Titley consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Mt Dove and Wodgina

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack who is a member of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited. Tony Cormack has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Tony Cormack consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Alice Extension

The information in this report that relates to mineral resource results is based on information compiled by Mr Simon Gobbett who is a member of the Australasian Institute of Mining and Metallurgy. Simon Gobbett is a full time employee of Atlas Iron Limited. Simon Gobbett has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Simon Gobbett consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Reserve Estimation

The information in this report that relates to reserve estimations is based on information compiled by Mr Ken Brinsden, who is a member of the Australasian Institute of Mining and Metallurgy. Ken Brinsden is a full time employee of Atlas Iron Limited. Ken Brinsden 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, Mineral Resources and Ore Reserves'. Ken Brinsden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Exploration Results – Wodgina, Mt Webber and Turner River

The information in this report that relates to exploration results at Wodgina, Mt Webber and Turner River is based on information compiled by Mr. Mark Gunther who is a member of the Australian Institute of Geoscientists and is an employee of Atlas Iron Limited. Mark Gunther 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'. Mark Gunther consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Atlas Iron Limited – Statement on Global Exploration Target

Atlas has reported a total resource inventory of 94.9 million tonnes at 56.5% Fe consisting of resources at Pardoo, Abydos, Mt Dove and Wodgina. While the Company intends to do further exploration on its tenements and remains optimistic it will report additional resources and reserves in the future, any discussion in relation to targets, resources, reserves or 'ore' over and above the resource of 94.9 million tonnes at 56.5% Fe is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource over and above the resource of 94.9 million tonnes at 56.5% Fe, and it is uncertain if further exploration will result in the determination of a Mineral Resource over and above the resource of 94.9 million tonnes at 56.5% Fe.

Ore Reserve Estimation Ridley Deposit

The sections in this report that relate to the Ridley Ore Reserves are based on information compiled under the direction of Mr Bruce Gregory. Mr Gregory is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of AMC Consultants Pty Ltd. Mr Gregory has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves'. Mr Gregory consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Dollars means Australian dollars