6th January 2011

PILBARA OPERATIONS UPDATE

Atlas Iron Limited (ASX: AGO) is pleased to provide an update to its activities in the Pilbara.

HIGHLIGHTS

- **1.42 MT OF DSO EXPORTED DURING DECEMBER 2010 QUARTER**
- **DECEMBER 2010 QUARTER FOB CASH COSTS APPROX $45/TONNE**
- **CASH RESERVES INCREASED TO $171M AT 6 JAN 2011 ($108M AT 30 SEP 2010)**
- **NEW EXPLORATION RESULTS FROM SE PILBARA**

Shipping Update

Atlas is pleased to advise that it exported 1.42 million tonnes (WMT) of DSO during the December 2010 quarter, (with shipping only marginally impacted by the closure of Port Hedland port late in the month of December 2010, as a result of the passage of a cyclone).

As previously advised, Atlas exported 0.31 million tonnes (WMT) of DSO in the September 2010 quarter, resulting in a total exported of 1.73 million tonnes (WMT) for the half year ended 31 December 2010. Atlas remains on target to ship approximately 1.5 million tonnes (WMT) of DSO for quarter ending 31 March 2011.

Atlas has achieved FOB (free on board) cash costs of approximately $45/tonne for the December 2010 quarter. It is a significant milestone on our way to achieving our target of $40 - $43/tonne from January 2011 onwards. Increased exports, reduced costs and strong iron ore pricing have delivered a significant increase in cash reserves to $171 million as at 6th January 2011.

“With production rapidly increasing and operating continuing to fall as targeted, Atlas’ two mines are delivering very strong cash flows.” commented David Flanagan, Atlas Iron Managing Director.

Further details pertaining to operating performance will be provided in the December 2010 quarterly report.

Additional McCamey’s North Drill Results

Atlas’ McCamey’s North project is located 40km east of Newman in the southeast Pilbara region of Western Australia. Drilling has been ongoing since the previous announcement in October 2010. Atlas is continuing to aggressively explore its SE Pilbara tenement portfolio with a view to defining new inferred mineral resources in H1 2011. Better results include:

72 metres at 60.0% Fe from 46 metres in JMRC144

34 metres at 62.6% Fe from 36 metres in JMRC148

50 metres at 59.9% Fe from 2 metres in JMRC064

52 metres at 60.0% Fe from 24 metres in JMRC065

28 metres at 60.6% Fe from 6 metres in JMRC126

“These are very good results.” commented David Flanagan, Atlas Iron Managing Director. “The Pilbara is extremely prospective for iron ore and the more we drill, the more we find. We have a lot of drilling planned for 2011 and we look forward to further success and growth in our resources.”

CLARIFICATION RE INDIAN MEDIA SPECULATION ON NDMC

Atlas notes the Indian media speculation pertaining to NDMC being in discussions with Atlas. Atlas advises that NDMC is one of the parties it is in discussions with on the Ridley Magnetite Project. However no agreement has been entered into at the present time.

BACKGROUND ATLAS IRON LIMITED

Atlas Iron Limited is mining and exporting from its two iron mines at Pardoo and Wodgina in the North Pilbara region of Western Australia. Atlas is currently exporting at a rate of approximately 6Mtpa and is targeting exports at an annualised rate of 12Mtpa by the end of 2012.

On 21 December 2010, Atlas announced a recommended takeover offer for Giralia Resources NL valued at approximately $828 million that if successfully completed will create a merged group with a pro-forma market capitalisation of approximately $2.5 billion. See announcement dated 21 December 2010 for full details of the recommended takeover offer for Giralia Resources NL.

For further information please contact

Ken Brinsden, Chief Operating Officer Tel: (08) 9476 7900

Andrew Paterson, General Manager Geology

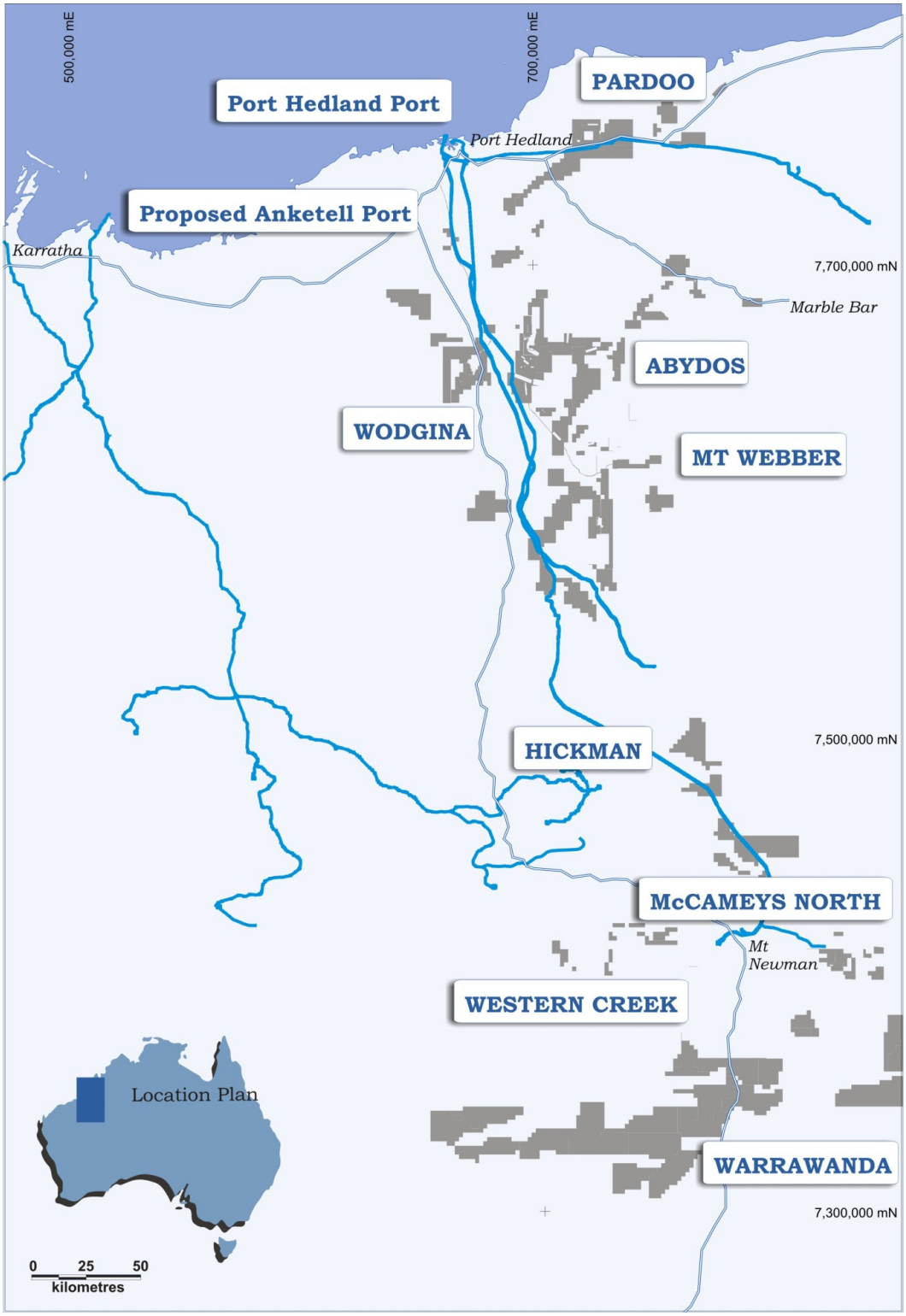

Figure 1: Atlas Iron Pilbara DSO projects location plan.

APPENDIX 1: McCAMEY'S NORTH SIGNIFICANT INTERCEPTS

Hole ID	Easting (GDA94)	Northing (GDA94)	Dip°	Azimuth (GDA94)	Hole Depth	From m	To	Int Width	Fe %	SiO_2 %	Al_2O_3 %	P %	S %	LOI %
JMRC064	212650	7415100	-60	180	148	2	52	50	59.9	3.5	4.0	0.15	0.01	5.7
					includes	28	50	22	61.0	2.3	4.2	0.16	0.01	5.4
						62	76	14	61.8	3.1	3.7	0.15	0.00	4.1
						88	94	6	58.4	9.3	2.7	0.14	0.00	3.7
JMRC065	212650	7415050	-60	180	142	2	10	8	56.9	6.1	4.5	0.11	0.04	7.2
						24	76	52	60.0	4.1	4.6	0.13	0.01	4.5
JMRC066	212650	7415000	-60	180	106	36	52	16	57.9	3.3	6.2	0.22	0.00	6.6
JMRC067	212450	7415000	-60	180	52	20	26	6	57.2	2.3	6.8	0.15	0.02	7.8
JMRC071	212450	7415200	-60	180	16	6	16	10	59.0	5.9	3.6	0.13	0.03	5.3
JMRC076	212250	7415050	-60	180	52	14	22	8	58.3	3.3	6.0	0.14	0.01	6.2
JMRC090	213050	7415200	-60	180	82	26	36	10	58.2	5.7	4.8	0.14	0.01	5.4
JMRC098	213450	7415350	-60	180	94	28	34	6	61.0	4.4	3.2	0.17	0.00	4.3
JMRC107	211450	7416200	-60	180	118	46	52	6	56.3	7.7	4.7	0.20	0.01	6.2
JMRC123	210750	7416200	-60	180	82	24	44	20	60.1	5.8	3.7	0.12	0.01	3.9
JMRC126	211150	7416150	-60	180	64	6	34	28	60.6	3.5	3.1	0.18	0.01	6.1
					includes	10	22	12	62.2	1.9	2.0	0.20	0.01	6.4
JMRC127	211150	7416200	-60	180	100	50	70	20	58.2	7.9	2.4	0.14	0.00	6.0
					includes	50	60	10	61.0	3.4	2.2	0.16	0.01	6.7
JMRC130	211650	7415500	-60	180	100	4	28	24	60.5	4.2	3.5	0.12	0.00	4.5
					includes	6	28	22	60.8	4.2	3.6	0.12	0.00	4.3
JMRC136	211050	7415350	-60	180	88	0	40	40	59.0	5.3	3.5	0.12	0.01	6.0
JMRC136	211050	7415350	-60	180	88	28	40	12	61.2	3.7	3.2	0.12	0.00	4.8
JMRC144	212855	7415050	-60	180	130	46	118	72	60.0	3.3	4.6	0.19	0.01	5.4
					includes	98	118	20	62.2	2.7	3.2	0.18	0.01	4.3
JMRC145	212850	7415100	-60	180	118	94	112	18	57.7	7.5	4.0	0.16	0.01	5.2
JMRC147	213050	7415050	-60	180	58	14	30	16	60.1	4.7	3.8	0.13	0.01	4.7
					includes	20	30	10	61.7	3.4	3.1	0.13	0.01	4.5
JMRC148	213050	7415100	-60	180	88	36	70	34	62.6	2.3	3.3	0.13	0.00	4.2
JMRC149	213050	7415150	-60	180	58	30	58	28	61.4	4.2	3.5	0.13	0.01	3.9
JMRC167	213650	7415250	-60	180	52	0	10	10	58.6	6.8	3.0	0.11	0.03	4.7

Table 1: McCamey's North significant intercepts, filtered for results greater than 6m and 57% Fe, calculated at a 55% Fe lower cutoff.

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.