



Building Momentum

ANNUAL REPORT 2011



Building momentum by...

Building Shareholder Value

Building Communities

Building a great Australian company

Building Production



Building Shareholder Value

by delivering projects and production

We create value through discovering, defining and delivering iron ore projects in a timely and efficient manner.

We continuously focus on improving all that we do, so we can remain competitive and continue to deliver excellent returns for shareholders.



Building Communities

leaving a lasting positive footprint

We invest in the communities local to where we operate. It is the right thing to do and it delivers real benefits. As Atlas grows we look forward to growing the contribution that we can make.

We are making a difference.



Building a great Australian company

good projects, good people, good decisions

Our vision is:

To build a truly great Australian company that is a fantastic place to work, makes the world a better place and delivers outstanding returns for shareholders. A company our families are all proud of.



Building Production

by producing millions of tonnes of iron ore

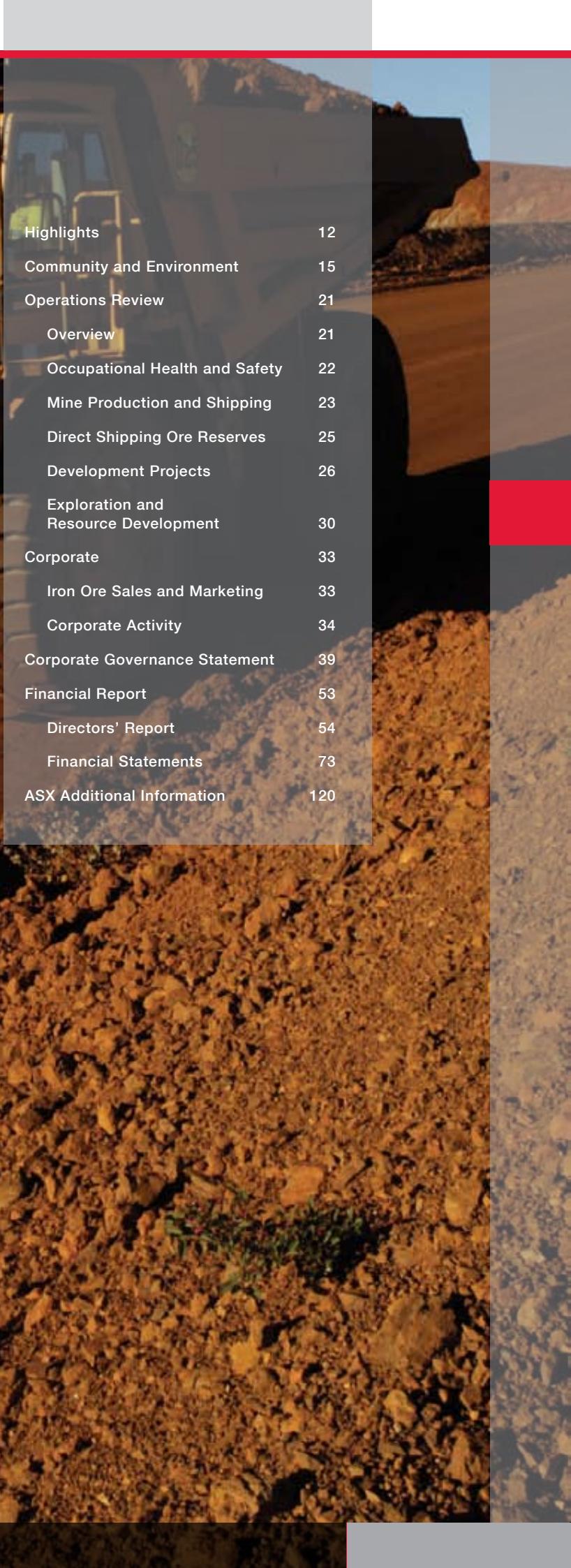
We are growing the capacity of our projects and the capability of our people. We achieved a 600% increase in our production rate during this year. We have also challenged and grown our people.

At Atlas we continue to define different development options and then execute the best solution that provides optimum cashflow, risk, and future growth options.



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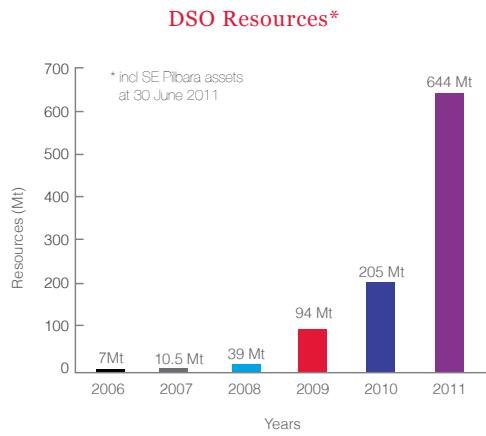
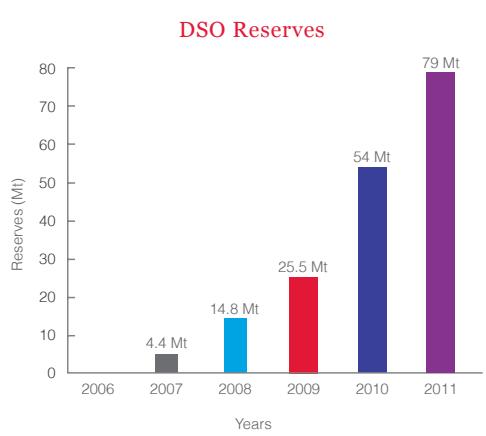
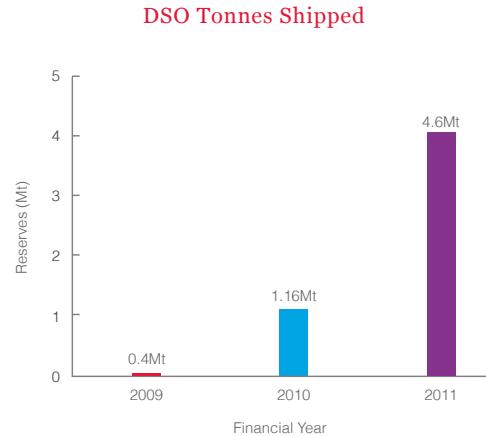
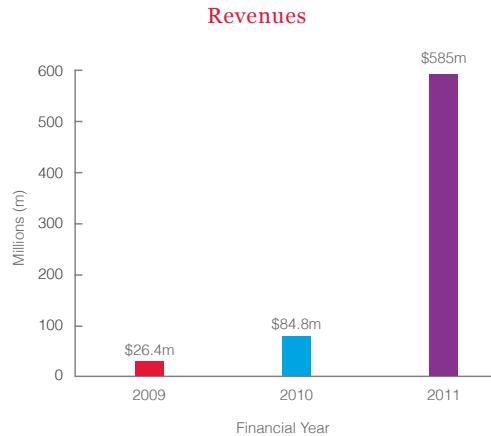


Atlas' Values



Value	Description	Behaviour
Work Safely	<p>We consider the safety aspect of everything you do</p> <p>Own your safety and well being, in work and out of work</p>	<p>We:</p> <ul style="list-style-type: none"> Never walk past anything unsafe Actively contribute to safety for all Look after each other Won't compromise safety <p>Safety is first on our agenda</p>
Do the Right Thing	<p>We are honest and fair in all our dealings</p> <p>We are courageous in making hard decisions which support our business goals</p> <p>Our decisions and actions will make our family proud</p>	<p>We:</p> <ul style="list-style-type: none"> Identify and explore all options Are respectful of others Act fairly and openly Act responsibly Follow up and close out issues Are prepared to make hard decisions
Strive for Business Excellence	We challenge ourselves to be efficient and effective with available resources	<p>We:</p> <ul style="list-style-type: none"> Deliver on what we say we are going to do Seek improvement and embrace change Discover and explore new opportunities Adjust priorities when appropriate and respond to changing business needs
Work as a team	<p>We work together to meet challenges and develop solutions</p> <p>We actively engage and support our people</p> <p>We understand and value the contribution of others</p>	<p>We:</p> <ul style="list-style-type: none"> Provide constructive feedback Support the decisions and the direction of the team Celebrate the successes of our team Work collaboratively to get things done <p>Leaders support and engage their people</p> <p>Seek first to understand, then to be understood</p> <p>Team members support the direction and decisions of the company</p>
Think Win-Win	<p>People and organisations we engage will benefit fairly</p> <p>We think long term with respect to the relationships we cultivate and nurture</p> <p>'Kiss a few frogs'</p>	<p>We:</p> <ul style="list-style-type: none"> Act fairly and honestly Communicate proactively and openly Seek to understand each other's point of view Act with integrity Lead by example
Indomitable Spirit	Our people are resilient	<p>We:</p> <ul style="list-style-type: none"> Approach challenges with courage and passion Strive to achieve goals with dogged determination Are accountable for our actions Encourage our people to think outside the box Accept constructive feedback

Highlights



Operations

- Shipped over 4.6Mt -WMT (4.3Mt –DMT) during the year ended 30 June 2011
- Cash costs per tonne (FOB) within targeted range of A\$40 to A\$43
- Commenced production of DSO product at the Wodgina Mine
- Commenced exporting product through the new Utah Point port facility. Atlas' ore was the "first ore on ship" for the Utah Point port facility on 17 September 2010
- Atlas continues to target production of 12Mtpa during the course of the 2013 financial year
- 50% increase in DSO Reserves during the year
- Expanded and extended Wodgina infrastructure access agreement completed

Corporate

- Completed merger with Pilbara iron ore developer Aurox Resources Limited at the end of August 2010. Aurox owned the Balla Balla project and significant port access rights at the Utah Point port facility in Port Hedland
- Maintained strong cash position at 30 June 2011 of \$365 million with no debt
- Completed off market takeover of Pilbara iron ore explorer Giralia Resources NL in March 2011. Giralia owned the Daltons DSO project (75%) adjacent to Atlas' Mt Webber DSO project and the 260Mt McPhee Creek DSO project (100%) in the North Pilbara as well as other iron ore exploration assets in the Pilbara and other parts of Western Australia
- Commenced a two staged takeover process of South East Pilbara iron ore explorer and developer FerrAus Limited in June 2011. FerrAus owns two iron ore projects in the South East Pilbara and port access rights through the proposed North West Iron Ore Alliance port facility at South West Creek in Port Hedland
- Jeremy Sinclair and Ken Brinsden promoted to Chief Operating Officer and Chief Development Officer respectively
- Atlas joined the S&P/ASX 100 Index in March 2011
- Maintained a strategy of acquiring a mix of resource and infrastructure assets in the Pilbara





Community and Environment



"Atlas conducts all of its operations with the support of the local community and aboriginal groups."

Throughout this third year of mining operations Atlas has endeavoured to set new and higher standards of environmental best practice, community engagement and social responsibility leaving a lasting and positive footprint within the areas we operate. Atlas has entered into a Native Title agreement to enable the progression of the Wodgina operations, and to further improve our access to development centres within the Pilbara region of Western Australia.

Throughout the construction and operation of the Pardoo and Wodgina DSO mines, Atlas has undertaken a high level of environmental impact assessments and compliance, involving many Aboriginal Heritage surveys, detailed flora and vegetation studies, terrestrial and subterranean fauna surveys, along with assessments to provide for ongoing and sustainable operations.



Environment

Again this year, Atlas has successfully enhanced its reputation with the ongoing and strategic engagement of indigenous groups, government departments, non government organisations, land holders, and key stakeholders to ensure all aspects of its activities exceed the legal and social obligations, and are undertaken in a meaningful and sustainable manner. Atlas consults the right groups to get the job done properly.

In the 2011 financial year, Atlas has undertaken a significant amount of baseline environmental and heritage survey work in an attempt to reduce the impact within the areas in which it currently operates, and the areas in which it aims to operate. This understanding will culminate in further impact assessments being submitted to various Government Departments in order to demonstrate that Atlas' operations can be constructed and operated in a sustainable manner, with minimal impact to the environment. Examples of this are the utilisation of existing and multiple use infrastructure and logistics corridors, the use of existing infrastructure for ore crushing and processing at Wodgina, and multi-user port facility developments.

Through its work, Atlas has genuinely contributed to the understanding of the environment in remote areas. Atlas has been able to collect data that will assist future generations in preserving unique habitats as well as areas of cultural significance.

Atlas prides itself on its commitment to Principles of Sustainable Development, Environmental and Social Responsibility, and this is reflected in the Company's environmental and social commitment:

1. Atlas will operate and learn from its environmental and social knowledge to provide clear and concise operational systems that will allow Atlas to minimise the risk to the environment and the community.
2. Atlas will set environmental improvement targets based on established criteria and annually report its environmental performance.
3. Atlas will develop a mine completion and rehabilitation plan that addresses regulatory requirements, risk minimisation, potential future land use and stakeholder issues.
4. Atlas will identify, report, and remediate environmental incidents, and employ changes that reduce the likelihood and/or consequence of occurrences.
5. Atlas will employ, to the extent practicable, the principles of pollution prevention, efficient resource use and waste minimisation in all of its activities.
6. Atlas will actively promote environmental awareness and training among all employees and contractors.
7. Atlas will respect cultural and heritage values and facilitate cross-cultural awareness.
8. Atlas will anticipate and respond to community concerns, aspirations and values regarding its activities and foster open dialogue with employees, contractors and the community.
9. Atlas will strive for continual improvement in environmental and social awareness, and its performance.
10. Atlas will comply with all legal and regulatory requirements as a minimum operating condition.
11. Atlas intends to leave a lasting positive impact in the communities in which it operates and continues to look at ways to improve practices in the areas of environmental management.



By implementing this policy Atlas believes it will ensure that environmental obligations and considerations form an integral part of its business planning and decision-making processes. Constant monitoring of its policy will allow Atlas to comply with applicable environmental laws and aspire to higher standards within its business.

Throughout its operations, Atlas promotes a culture of responsible environmental management within the organisation, in order to protect the natural environment, indigenous and social surroundings, and continually improve its environmental performance.

As a minimum, Atlas believes its Licence to Operate as a resources company is dictated by its compliance with applicable environmental laws and other higher standards within our business. Atlas communicates openly, effectively and transparently with all stakeholders on environmental matters and engages the community in environmental initiatives aligned with its business values.

Land Access and Approvals

Keeping pace with the phenomenal commercial growth of Atlas Iron is the corporate commitment to the protection and advancement of Atlas Iron values. Strong investment in these values guarantees the highest levels of corporate social responsibility ensuring respect for employees, communities and the environment. These are core Atlas values and nowhere in the organization is adherence to these more important than in the Land Access and Approvals sectors.

The UN World Commission on Environment and Development published the Brundtland Report which states 'sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future.'

Far from requiring the cessation of economic growth, it recognizes that the problems of underdevelopment cannot be solved without new growth in which developing communities play a large role and reap large benefits. It is commitment to these ideals which contributes to the very positive corporate profile Atlas enjoys in the community and in the market.

The Atlas team is committed to continuing to build positive stakeholder engagement, working towards the development of communities in which it operates, and to maintaining strong relationships with the Indigenous Traditional Owners of the land. To address its growing corporate social responsibilities Atlas has appointed a new General Manager Approvals and Land Access; as well as creating the new positions of General Manager Health, Safety, Environment and Community; Principal Heritage Advisor and Principal Land Access Advisor.

Growth within the approvals, tenement management and landholder engagement areas have driven development of structured control systems to ensure compliance and pro-active management of this key and rapidly expanding area of activity. The ongoing development of the indigenous enterprise and partnering incentive programs, along with enhanced heritage survey programs, continue to strengthen the growing relationships with Atlas' Indigenous stakeholders.



Community

Atlas is committed to providing outcomes for communities that are sustainable. This is one of Atlas' fundamental values and basis for operating within Western Australia. Atlas is constantly looking for win-win outcomes that will promote and enhance the Company's social licence to operate. Because of its type of business, Atlas needs to work closely with a number of stakeholders, communities and governments, to establish and maintain better outcomes in the areas it operates. The Company operates a number of incentive programs to promote indigenous business enterprise and partnering throughout both its mining and exploration activities.

Atlas has Native Title Agreements that provide for on-going development within the relevant development areas, whilst maintaining a strong relationship with the indigenous people, and developing heritage protocols that allow for the protection of culturally significant regions.

Atlas continues to be proud of its ever growing relationships with the indigenous and local stakeholders in the Pilbara region. Atlas is also proud to be recognised as a leader in the field of indigenous relations and in partnership with the indigenous people on whose land we operate. Atlas' aim is to provide economic opportunities as well as cultural and environmental outcomes, while maintaining its license to operate and delivering strong returns to shareholders.

In partnership with the Indigenous people on whose land it operates, Atlas seeks to promote sustainable commercial relationships with indigenous peoples.

To achieve this Atlas:

- seeks to generally improve the wellbeing of indigenous peoples in its operating areas.
- continues to develop and increase its indigenous workforce.
- maintains partnerships with the indigenous, local communities and stakeholders to develop sustainable economic business opportunities wherever appropriate.
- respects the indigenous relationship to land throughout all aspects of its operations.
- creates new and maintains existing relationships with the indigenous and local stakeholder's community's in which it operates.
- helps to deliver area specific cross cultural awareness training to its workforce.



Philanthropy

Atlas believes there are many ways in which it can, as an evolving S & P/ASX 100 company, contribute to the betterment of society, local communities, others less well off and focussed organisations, via charitable aid and donations. Through its activities in the community Atlas works to generally promote corporate and personal participation in philanthropy. We believe that through effective promotion of philanthropy, companies, individuals and communities are significantly better places to work and live.

In early August 2011 your Board resolved that Atlas would from 2011 set aside one percent (1%) of its net profits (after tax) each year and donate this amount into a newly created entity "The Atlas Foundation" for use in acts of Philanthropy in the 2012 financial year.

During the 2011 financial year and prior to this formal commitment in August 2011, Atlas has been an active supporter of the following groups:

- Many Rivers Opportunities indigenous micro finance charity
- The Starlight Foundation
- Mining Hall of Fame
- Youth Focus
- WA Youth Orchestra

Atlas also supports employee giving by matching staff donations to charities chosen by Atlas staff on a one dollar for one dollar basis up to a maximum amount approved by the Board.

Atlas is proud of its strong relationship with the Many Rivers Opportunities indigenous micro finance charity which is a not for profit micro finance project available for direct financial assistance of the establishment of community businesses. During the year, Atlas continued to support and donate to Many Rivers which is endeavouring with a number of partners to provide micro finance to prospective indigenous business people in the Pilbara region. Atlas supports this exciting and innovative charity.

In March 2011, Atlas and its staff held a charity Golf Day in aid of the Starlight Foundation. This inaugural event was supported by Atlas' major suppliers and charities and raised approximately \$60,000 for the Starlight Foundation, which was Starlight's second largest corporate donation of the 2011 financial year. Atlas and its staff are proud to support the work of the Starlight Foundation.

Atlas staff have formed a Philanthropic Committee with a view to helping charities Atlas staff are interested in supporting. Atlas staff are also supported by the Company in their appointments to not-for profit organisations, school councils including Starlight Foundation, Youth Focus, WA Youth Orchestra, WAPA and many other groups



Operations Review



"Atlas' Pilbara mines are now running at rates of 6Mtpa"

Overview

The Pilbara likely hosts the largest endowment of iron ore of any region in the world. Atlas has positioned itself in the North Pilbara with the most extensive landholding within 150 kilometres of the world's largest iron ore port, Port Hedland. With unprecedented demand for iron ore coming from emerging Asian markets, combined with undeveloped resources in the Pilbara, Atlas is uniquely positioned to deliver into these markets and build a great Australian company.

One of the early movers of the current iron ore juniors in the Pilbara, Atlas listed on the ASX in December 2004 and within 9 months of listing, the Company had made a Direct Shipping iron ore discovery at its Pardoo Project, 75 kilometres east of Port Hedland. This has since transformed the Company from iron ore explorer to producer with Atlas being one of the two junior iron ore companies to move into production in the world's premier iron ore province.

Atlas initially commenced operations with the support of Fortescue Metals Group who provided a ship loading service, and commenced iron ore exports through Port Hedland from its Pardoo Mine in December 2008, marking the commencement of what the Company plans to be a meaningful, positive and long-term contribution to the Pilbara iron ore industry and its regional communities.

Atlas' Pilbara mines are now running at rates of 6Mtpa. With the Company's acquisition of Aurox Resources giving it port capacity up to 15Mtpa at Utah Point, combined with the subsequent development of the Abydos and Mt Webber DSO Projects, the Company is targeting growing its production rate to 12Mtpa during the course of the 2013 financial year.



In order to further enhance its production profile over time, Atlas continues to pursue strategic, complementary and value-adding acquisitions, predominantly in the Pilbara of Western Australia such as the Aurox Resources, Giralia Resources and FerrAus transactions. Furthermore, Atlas has continued to maintain an aggressive exploration program across its prospective Pilbara landholdings with outstanding results, culminating with the announcement of a 50% increase in its reserves position subsequent to year-end. Atlas has defined JORC compliant reserves of over 79 million tonnes from a resource base of over 486 million tonnes. (See tables 2 and 3)

With a growing number of high quality iron ore projects and one of the largest landholdings in the Pilbara located close to infrastructure, the Company is continuing to effectively define resources and reserves capable of being mined and exported with relatively low capital expenditure.

With mining in progress at the Pardoo and Wodgina DSO Projects, the Company is now preparing for its next phase of growth through the development of its Abydos, Mt Dove and Mt Webber DSO Projects. These projects will grow Atlas' production from its current annualised rate of 6Mtpa to an annualised rate of 12Mtpa during the course of the 2013 financial year.

Atlas' development team has now proven its ability to deliver new projects from discoveries, to mines, to the ship in a highly challenging environment. This capability presents Atlas as a dynamic growing mid-cap producer with a unique opportunity to deliver benefits to shareholders and the communities in which it operates. Clearly with this retained capacity the Company is well positioned to maximise the returns and minimise risk in future project developments. Therefore, Atlas is well positioned to advance a number of projects concurrently in the Pilbara to expand its North Pilbara DSO production to an annualised rate of 12Mtpa during the course of the 2013 financial year and 15Mtpa by 2015.

Atlas is a proven performer in a region previously dominated by the world's largest companies.

Occupational Health and Safety

Despite the challenges associated with rapid business growth, and the significant increase in mining production, the Company's overall Occupational Health and Safety (OH&S) performance has continued to improve markedly over the last 12 months. This past year we have reduced our Total Recordable Frequency Rate by 33%, testament to the leadership, commitment and hard work of all involved.

A strong focus during the last 12 months has been to further develop our contractor OH&S management processes, ensuring only contractors who aspire to our values, expectations and commitment to safety are engaged to undertake work for us. Comprehensive external independent auditing has been undertaken to measure compliance against our Contractor Management processes with positive results. This has also assisted us to further improve the level of rigor we apply to the selection and management of contractors across the organisation.

Through continued business growth, the resourcing of our operational sites with OHS specialists, combined with increased technical OH&S support from our corporate office, we have continuously reviewed our system processes to identify opportunities for improvement. This will ensure that as our Safety Management System continues to evolve, it will do so with a view of becoming fully assimilated into the Atlas Iron Integrated Management System model, while working towards industry best practice standards.

Initiatives being implemented include

- Supervisor training to further improve safety leadership and management
- Incident investigation training to optimise our incident investigation processes to ensure root causes are identified and effective corrective actions are assigned
- The development of our Principal Hazard Standards, which are designed to address the core risks within our business, and
- The establishment of our own Golden Rules, which when followed will protect our employees from the high consequence hazards which may be encountered across our organisation

Mine Production and Shipping

Mine Production (Ore Tonnes Processed) has increased almost four fold over the 12 months, as the Company continued to expand its Pardoo mine and commenced production in earnest from its most recently commissioned mine, the Wodgina DSO Project. In conjunction with the delivery of the new multi-user port at Utah in September 2010, Atlas has been able to quadruple its iron ore exports in the 2010 / 2011 financial year to 4.6Mt (WMT).

Table 1: Combined Mine Production

	12 Months to June 30 2011 (t)	12 Months to June 30 2010 (t)	Variance Year (t)	Percentage Change (%)
Ore Tonnes Mined	4,881,311	1,239,813	+3,641,498	+393%
Ore Tonnes Processed	4,525,648	1,258,683	+3,266,965	+360%
Ore Tonnes Shipped (Wet)	4,589,271	1,163,614	+3,425,657	+394%
Ore Tonnes Shipped (Dry)	4,294,084	1,109,159	+3,480,122	+387%

A combined production rate of 6Mtpa is now being achieved from the Company's Pardoo and Wodgina mines.

Pardoo DSO Project

Atlas' Pardoo DSO Project is located just 75 kilometres by road from the port of Port Hedland, in the Pilbara region of Western Australia. The Company continued to expand production at Pardoo with the mine producing 1.7Mt Processed ore in the 2011 financial year compared with 1.3Mt Processed ore in the previous financial year.

Mining during the 2011 financial year focussed on the Emma, Bobby, Alice East Extension and South Limb pits. Production from each source is optimised to maintain Run of Mine levels and achieve the targeted ore specification, whilst also maximising the life-of-mine.

The primary site contractor, Mining and Civil Australia (MACA), has provided an excellent level of service in both the mining and crushing and screening activities and has made a significant contribution to the site achieving its production and safety targets.

Production at Pardoo was challenged by the effects of a number of cyclones crossing the Pilbara coast during the wet season together with the effects of a historically high rainfall wet season.

Consistent with the Company's previous advice, the cash cost of production has continued to decline as production from the Pardoo mine increased and with new production coming on from the Wodgina mine to share fixed costs.

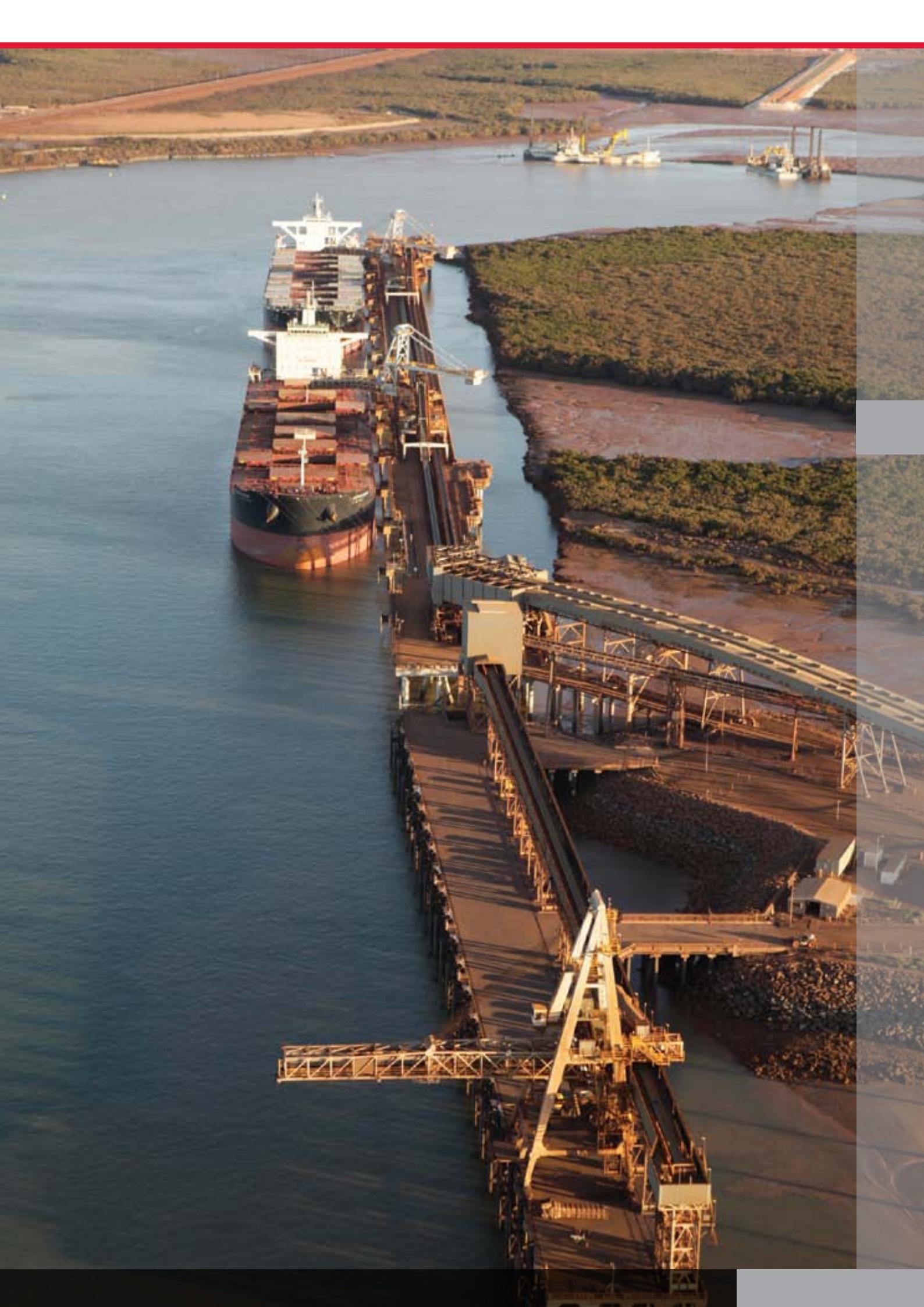
Wodgina DSO Project

Atlas' Wodgina DSO Project is just 100km due south of Port Hedland immediately adjacent to the existing Wodgina Tantalum Mine owned by Global Advanced Metals (GAM). Mining commenced at the Anson pit at Wodgina during June 2010 with the ore production ramp up being achieved in December 2010. First ore haulage from Wodgina to the port commenced in September 2010. In its maiden production year the Wodgina mine produced 2.8Mt Processed.

The site's contractors, BGC Limited and CSI have been integral to the successful development of the pits and subsequent ramp up of ore production at the site, and continues to support the site in achieving its targets.

In May 2011, the Company achieved a pivotal agreement with the owners of the Wodgina Tantalum Mine, GAM, which increases the processing capacity at Wodgina from 4Mtpa to 7Mtpa, putting the Company firmly on track to grow its total production rate to 12Mtpa during the course of the 2013 financial year. The agreement also extends the current agreement by 6 years with options to extend a further 6 years.

Atlas and GAM continue to enjoy a mutually beneficial relationship made possible by a genuine approach to a win win outcome and shared values. Atlas looks forward to growing this relationship over time.





Utah Point Port Facility

Post commissioning of the Utah Point port facility in September 2010, three more cargos were shipped in the months of October, November and December 2010 out of Fortescue Metals Group's port facilities at Anderson Point. The second half of the 2010 / 2011 financial year has seen all export tonnes shipped out of the Utah Point port facility. Atlas is now shipping iron ore exclusively through the Utah Point port facility in Port Hedland harbour at a rate of 6Mtpa, underpinned by the combined production of its Pardoo and Wodgina mines. Atlas' allocation through the Utah Point port facility will grow to 9Mtpa from March 2012, and then growing up to 15Mtpa by not later than September 2015.

The government owned Utah Port Facility remains an outstanding success in providing an opportunity for many companies to export as well as generate strong returns for the State.

Having successfully achieved its ramp up to 6Mtpa, the Company is now well positioned to fill its Utah Port capacity with existing and proposed mine developments, making it the 4th largest listed iron ore exporter in Australia within the next 2 years.

Direct Shipping Ore Reserves

Further exploration drilling, resource development drilling and focused mine planning initiatives have been completed during the 2011 financial year, resulting in a 50% increase reserves across Atlas' North Pilbara Projects. For further details please refer to Atlas' previous Resource and Reserve update announcement dated 19 August 2011.

Table 2: Atlas Summary Reserves, 30 June 2011

Atlas Summary Reserves Table – 30 June 2011

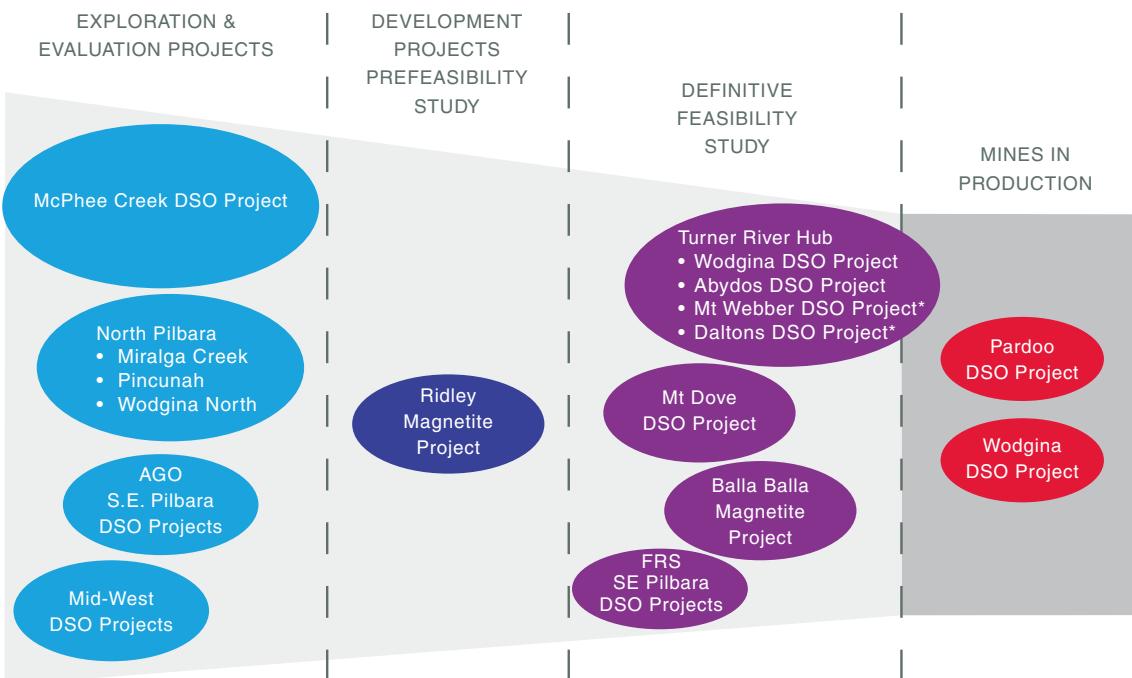
	Reserve Classification	Kt	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P %	S %	LOI %	CaFe %
Sub Total	Proven	12,420	58.0	5.6	1.5	0.08	0.06	8.7	63.5
	Probable	66,831	57.7	6.3	1.8	0.08	0.02	8.5	63.1
Grand Total**	All Reserves	79,251	57.8	6.2	1.7	0.08	0.03	8.6	63.2

Note: Bedded ore reserves estimates at cut-off grades in the range of 54-56% Fe

Reserves at Mt Webber are subject to Joint Venture interests in the ratio AGO 70% : AJM 30%

Reserves at Daltons are subject to Joint Venture interests in the ratio AGO 75% : HAO 25%

Profile of the Merged Entity's Project Pipeline



* - Mt Webber and Daltons are subject to joint venture interests

Development Projects

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

Atlas Iron's 'Horizons' Growth Program

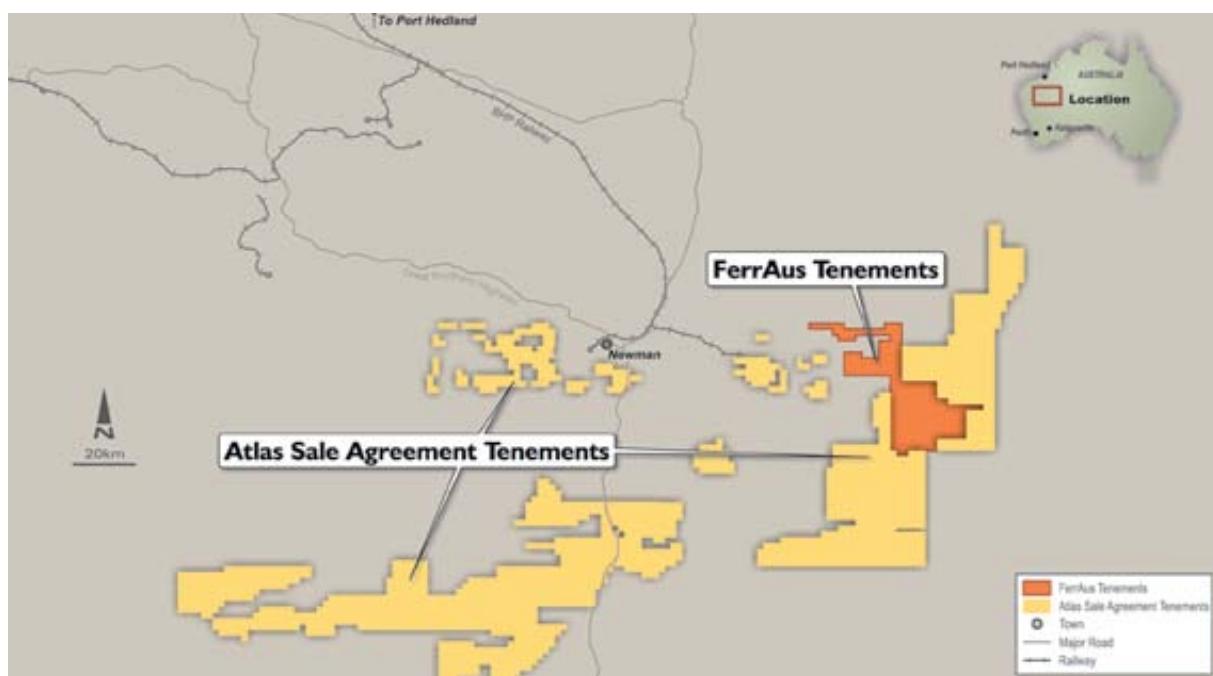
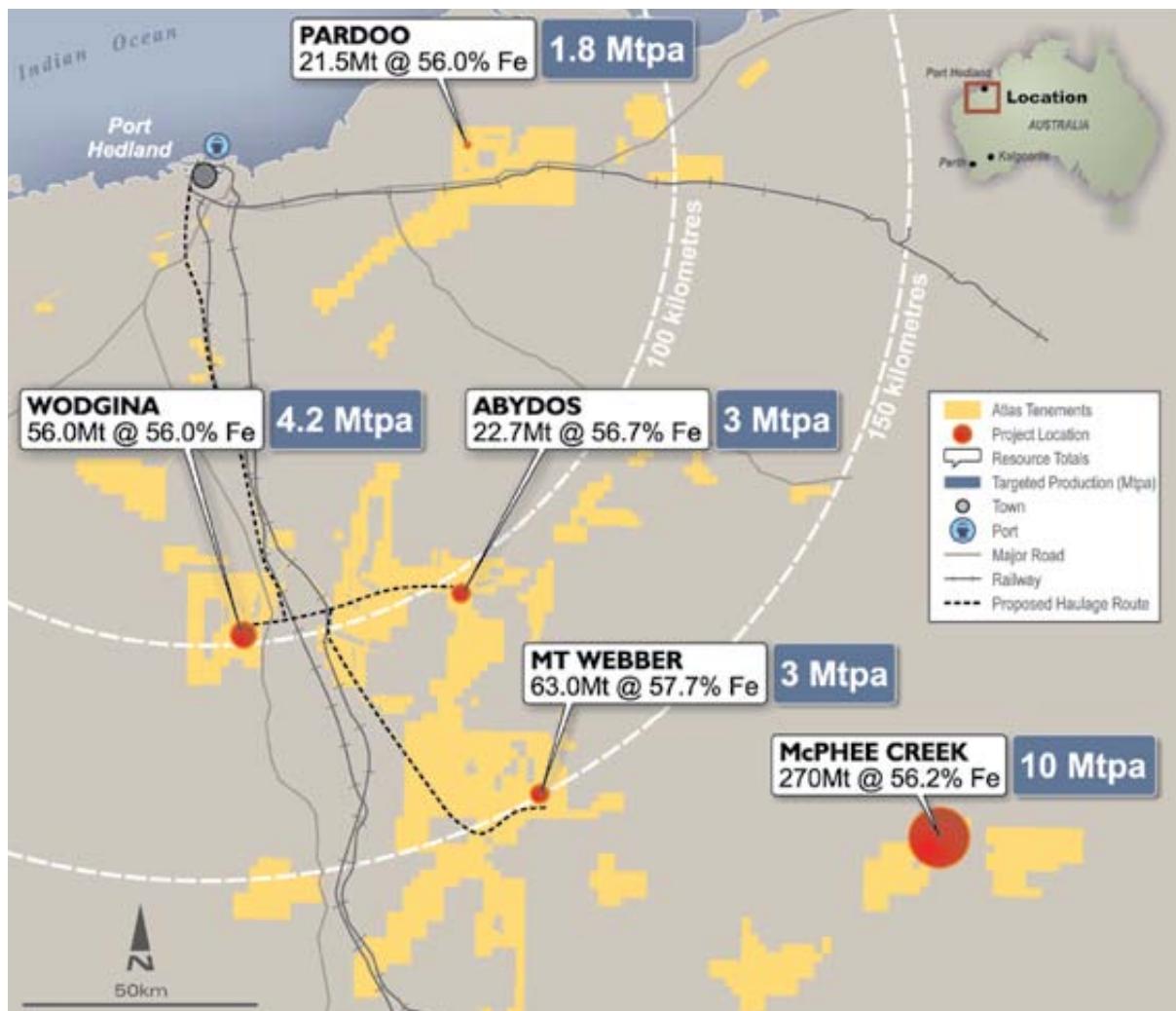
Atlas has made a resounding success of mine development and iron ore exports from its North Pilbara business. Using the leverage available via its resources being in close proximity to port and utilising existing infrastructure, the Company has created amongst the lowest capital cost iron ore mine developments in Australia and has been able to grow production to its current rate of 6Mtpa.

Horizon 1

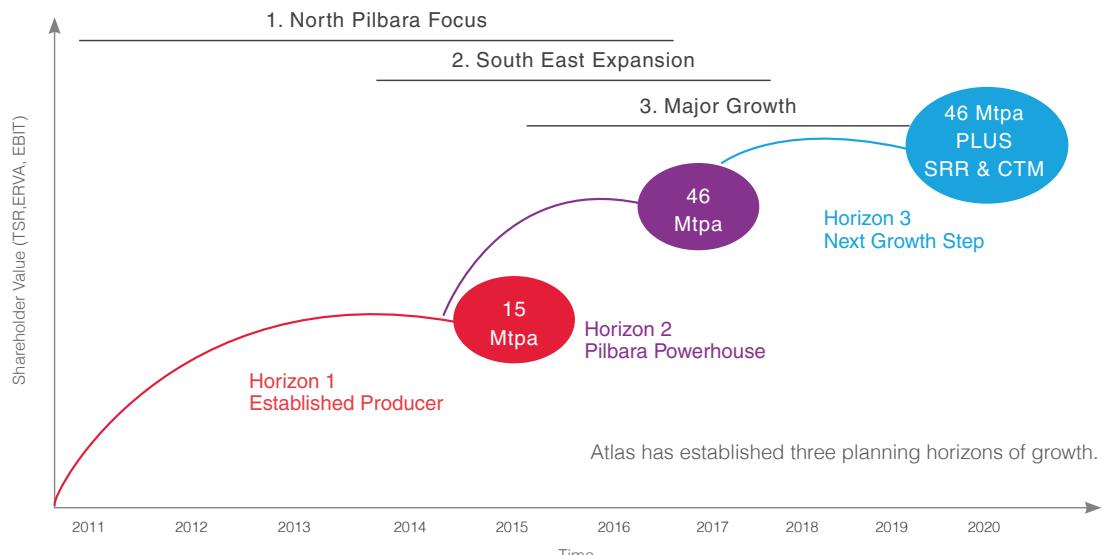
The 'Horizon 1' Growth Program defines the Company's near term focus, extending its North Pilbara development model to produce 12Mtpa during the course of the 2013 financial year and 15Mtpa by 2015, exporting through the Company's existing Utah Point allocation.

The 'Horizon 1' growth program contemplates changes to the previous Turner River Hub development strategy as a result of the recent Giralia acquisition and extension of the Wodgina Mine infrastructure agreements, with the 'Horizon 1' Growth Program now encompassing several mine developments, including:

- Expansion of the existing Wodgina DSO Mine, inclusive of a crushing hub for both the Wodgina and soon to be developed Abydos mine,
- Development of the Mt Dove Mine as a standalone DSO project,
- Development of the Mt Webber mine, inclusive of a crushing hub for both the Mt Webber and future McPhee Creek operations start-up,
- Development of an off-highway private haul road network to support North Pilbara production, and
- Further development of Utah Point port facilities to realise Atlas' ultimate 15Mtpa port allocation.



Atlas Iron Position - Key Strategic Milestones



The Company is well advanced on the environmental approvals process supporting its 'Horizon 1' Growth programme, including extensive North Pilbara flora / fauna field study work and desktop analysis in addition to the pegging of the required mining, haulage and processing tenure applications. Furthermore, Atlas is active in exploration across its Northern Pilbara Projects in order to add to the Company's Resource and Reserve base, with a particular focus on those resources that will contribute to the Horizon 1 Growth program.

Horizon 1 projects remain Atlas' highest priority and attract the most management resources to ensure targets are met.

Horizon 2

Atlas' 'Horizon 2' Growth Program targets expansion of the Company's production base from 15Mtpa to up to greater than 45Mtpa through expansion of its North Pilbara production, development of its South East Pilbara Resources and further expansion of the Company's logistics chain including port and rail developments. Atlas' transactions with FerrAus are consistent with the Company's efforts to deliver on its 'Horizon 2' growth program. Furthermore, progress is being made on both port and rail solutions through the Company's participation in North West Infrastructure and parallel negotiations around the various options for rail solutions.

These are ambitious and achievable targets that build directly on our skill set, infrastructure rights and expanding resource assets. This represents a clear logical way to deliver exceptional value to shareholders.

Horizon 3

Atlas' 'Horizon 3' Growth Program targets expansion of the Company's activities to become a 'Great Australian Company', moving into alternate jurisdictions in both Australia and overseas, beyond Direct Shipping Iron Ore and into further Carbon Steel commodities. Whilst not the main focus of the Company, further options are being assessed and developed to progress growth in the Company's project pipeline to reflect this strategy.

Horizon 3 is essentially keeping an eye out for low risk opportunities for generating potentially world class resource projects. Existing examples include the Company's investments in Shaw River Manganese (SRR) and Centaurus Metals (CTM). Please refer to the Corporate section within this report for further details.

'Horizon 1' Growth Program

Turner River Hub Project

During the year the Company has been conducting engineering studies to further detail its plans to expand its Northern Pilbara Projects' production to 12Mtpa during the course of the 2013 financial year. With the acquisition of Giralia Resources NL completed in the 2011 financial year and the finalisation of the new Wodgina infrastructure agreement, Atlas has reviewed its Turner River Hub strategy.

As a result, in addition to the increased crushing and screening capacity realised at Wodgina, Atlas is planning construction of a second crushing and screening hub at the Mt Webber DSO Project, sufficient to support total exports at a rate of 12 Mtpa during the course of the 2013 financial year and provide further expansion opportunities to the nearby McPhee Creek iron ore deposit leading into 2015.



Ore from Atlas' Pardoo mine will not be processed at the Hub but will continue to account for between 1 and 2 Mtpa on an ongoing basis.

Surviving attributes from the original Turner River Hub strategy, that are now generally encompassed in the Company's 'Horizon 1' Growth program include:

- Larger scale crushing and screening at Wodgina and associated facilities will lower the overall unit cost of production;
- The Hub location allows access to the existing fixed infrastructure available to Atlas through the ongoing infrastructure sharing agreement with Global Advanced Metals, including access to the existing gas fired power station;
- The Wodgina and Mt Webber crushing hubs locations facilitates access to alternate down-stream haulage options including:
 - Off-highway road train haulage via a private haul road through to the Port of Port Hedland, and
 - Rail to Port Hedland.
- Large scale off-highway road train haulage from the satellite mines to the processing facilities, or subsequently final product from the crushing locations to the port, lowers the cost of ore transport significantly compared to on-highway haulage:
- Off-highway haulage via a private haul road provides an alternative to rail haulage as a result of lower capital establishment costs, limited distance for transport and lack of clarity around costs associated with rail access or haulage on existing Pilbara infrastructure, and
- The crushing hub's locations will provide a natural fit for further project development within Atlas' existing North Pilbara exploration project portfolio, including the potential for future production from Wodgina North and South, Western Shaw, Pincunah and Miralga Creek.

Wodgina Mine Expansion and the new Abydos Mine

Atlas was pleased to announce in May 2011 that it had struck a pivotal agreement to expand capacity at its Wodgina Iron Ore mine by 75 per cent, to 7Mtpa. Atlas entered into a long term infrastructure agreement with GAM, the owners of the infrastructure at the Wodgina Tantalum mine site, for the long-term sharing of the associated infrastructure. This new agreement with GAM is a variation to the existing Wodgina infrastructure agreement where Atlas' rights to the existing crushing facility were due to expire on 31 December 2011.

The new agreement is for a period of six years with three, two year options at Atlas' election to encompass a total of up to 12 years. Under the new agreement, Atlas will have access to a range of infrastructure including 100% of the existing crushing and screening plant. Atlas will also have the ability to expand site infrastructure to suit its production targets, including expanding camp accommodation and expanding the capacity of the current utilities.

Under the new agreement, Atlas will assist in funding, for GAM's exclusive use, alternate Tantalum crushing and screening capacity on the site by the end of the first quarter calendar 2012, at a cost to Atlas of approximately \$35 million, leaving both parties free to optimise their operations to meet varying market conditions. The Wodgina mine expansion project is now well underway, with engineering and site works in progress to facilitate to the various infrastructure upgrades.

As a result of the revisions to the Wodgina Infrastructure Agreement, run of mine production from Atlas' proposed Abydos DSO mine will now be able to be processed at Wodgina. Abydos is now the Company's next mine development, with construction set to commence in early calendar 2012 and mine production commencing early in the 2013 financial year.

Haulage of final product to port from both the Wodgina expansion and Abydos production will be via the existing on-highway haulage model, with the fleet to move off-highway following commissioning of the private haul road network during the course of the 2013 financial year.

Mount Dove DSO Project

Atlas' Mount Dove DSO Project is a stand-alone development due south of Port Hedland that will allow the transport of product to the new Utah Point Port Facility at Port Hedland 72km via the Great Northern Highway. A Feasibility Study to move the Mt Dove DSO Project to execution by mid-2012 is underway and to date concludes that the Mt Dove DSO Project represents an ideal opportunity for Atlas to deliver a high quality blending product. With a low stripping ratio, near 100% mineral extraction anticipated and a low CAPEX start-up, the Project is also set to deliver a favourable economic outcome for Atlas.

At a preliminary level of assessment the project fundamentals for the project resulted in the following:

- Capital estimate to establish the access, infrastructure and pit development of A\$18-20M;
- With relatively low operating costs expected, the Project is expected to generate significant operating cash flows;
- Complete mineral extraction within a 12 month period; and
- Continued processing of stockpiled ROM stocks to enable blending flexibility with Wodgina and Pardoo production to meet quality and quantity targets.

Mount Webber and McPhee Creek

Mt Webber will become an additional North Pilbara Processing hub for the Company, initially supporting the Mt Webber mine. However, the Company is also investigating early start up options for its McPhee Creek resources, with the potential of run-of-mine tonnes being crushed at Mt Webber and contributing to overall blended production through the off-highway private haul road solution.

Whilst still subject to further engineering studies, the Company envisages crushing capacity in the range of 4-7mtpa pending the inclusion of ore from a start-up McPhee Creek DSO project.

Utah Point Port

The new multi-user port at Utah Port in Port Hedland is integral to Atlas' 'Horizon 1' growth program, with Atlas holding a right to up to 15Mtpa of port capacity at the port.

To realise this port capacity Atlas will further develop the Utah Point landside facilities (over and above that already established at 'Yard 1') by setting up additional stacking and reclaiming infrastructure in 'Yard 2' at Utah Point. Furthermore, the new Yard 2 infrastructure will be linked to Atlas' proposed off-highway private haul road network to seamlessly interconnect the entire logistics chain to the port.

Atlas' Yard 2 facilities will be developed in stages, coincident with Atlas' rights to port capacity from March 2012.

Exploration and Resource Development

The 2011 financial year saw a significant increase in drilling activity, with field work focused on the mining and near-mine projects in the North Pilbara; principally Pardoo, Wodgina and Mt Webber. The Company's geologists drilled a total of 144,800 metres of RC and 2,646 metres of diamond holes during the 2011 financial year.

The Company continued to test a range of targets in the South East Pilbara, with substantial drill programs at McCamey's North, Hickman, Warrawanda and Western Creek. All of these have met with encouraging success, particularly the McCamey's North program which has defined a JORC-compliant inferred mineral resource of 39 million tonnes at 58.0% Fe in the Boolgeeda Formation. This resource – possibly the first JORC resource ever defined in the Boolgeeda – is expected to grow following the completion of a final round of RC drilling in May and June 2011.

The Company's DSO resources grew to 486.2 million tonnes at 56.2% Fe (excluding the South East Pilbara assets sold to FerrAus on 29 August 2011) with the acquisition of Giralia in March 2011. This event has resulted in a re-focusing of the exploration budget, which will remain centred on the Company's North Pilbara projects and FerrAus' South East Pilbara assets.

Looking forward, Atlas has committed to an increased exploration budget for 2012 financial year. Resource conversion programs will be completed at Abydos and Mt Webber while exploration continues at McPhee Creek. Later in the 2012 financial year a number of field teams will combine at McPhee Creek, which will then become the focus of North Pilbara drilling in the medium term. Simultaneously, one RC rig will continue developing a number of targets around Newman. This North Pilbara-centric strategy is intended to deliver DSO ore reserves to underpin a minimum ten-year mine plan at each of the Company's key expansion projects.

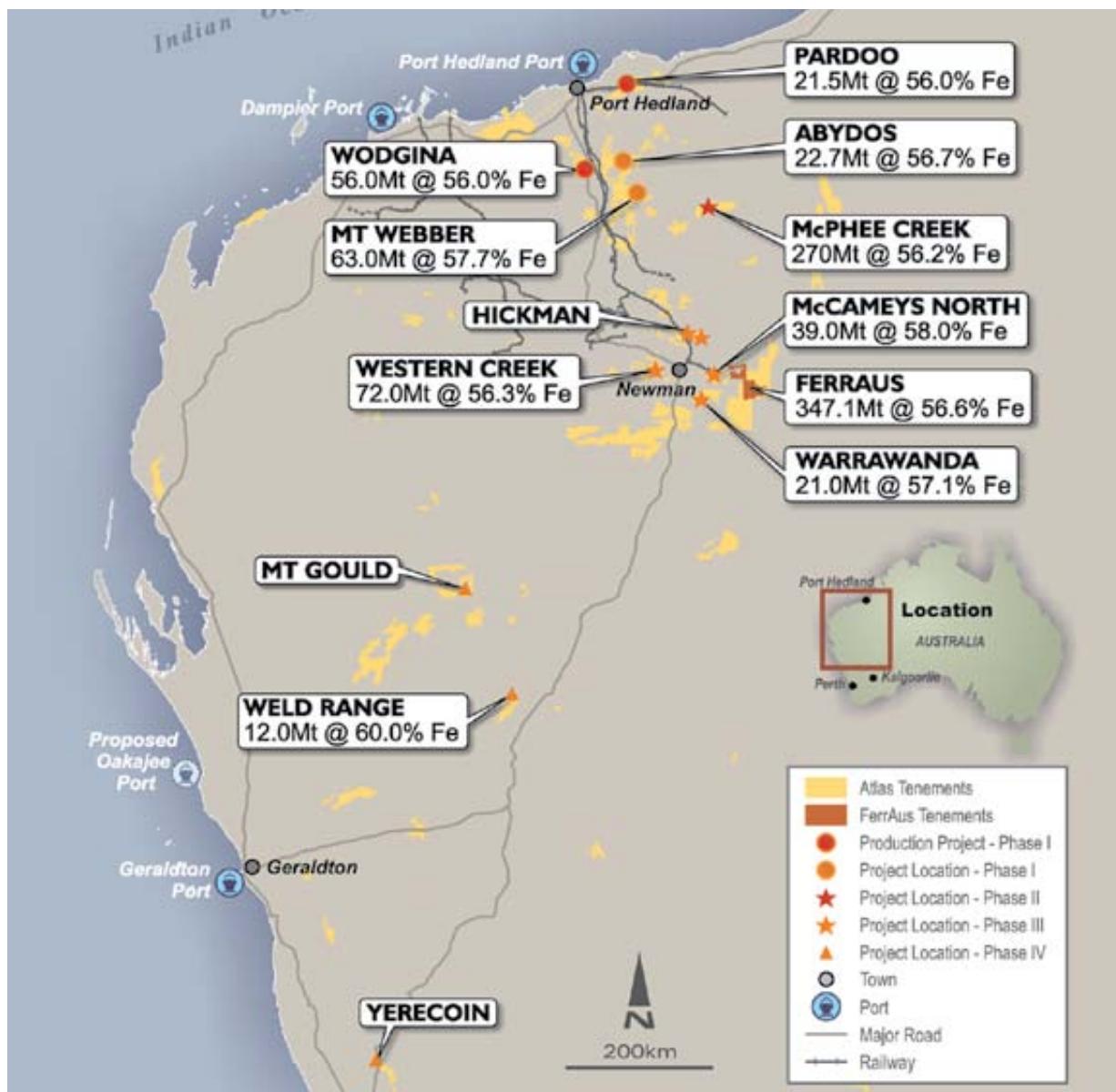


Table 3: Atlas Iron Limited - Resource Inventory July 2011 (excludes South East Pilbara assets sold to FerrAus on 29 August 2011)

Atlas DSO Resources – Sept 2011

Region	Resource Classification	Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	CaFe (%)
North Pilbara	Measured	15.3	57.5	6.0	1.6	0.07	8.7	63.0
	Indicated	148.5	56.8	6.5	2.2	0.10	9.1	62.5
	Inferred	272	56.0	7.1	2.4	0.11	9.4	61.9
West Pilbara	Inferred	38	53.6	7.5	4.8	0.04	9.3	59.1
Midwest	Inferred	12	60.0	6.3	2.9	0.06	3.7	62.3
Total	Measured	15.33	57.5	6.0	1.6	0.07	8.7	63.0
	Indicated	148.5	56.8	6.5	2.2	0.10	9.1	62.5
	Inferred	322	55.9	7.1	2.7	0.10	9.1	61.6
Grand Total		486.3	56.2	6.9	2.5	0.10	9.1	61.9

Notes: Tonnes are rounded according to their JORC category.

Resources are reported as at 30 May 2011, including all depletion due to mining and excluding the recent asset sale to FRS.

Pardoo, Wodgina, Mt Webber JV resources quoted at >53% cut off grade

Hercules deposit is quoted at >54% Fe cut off grade

Daltons JV, Abydos, Mt Dove, Mid West, McPhee Creek, West Pilbara resources and Connie Deposit quoted at >50% cut off grade

CaFe% is calcined Fe calculated by Atlas using the following formula (Fe%/(100-LOI%))*100



Corporate



"The Atlas product is continuing to grow its market penetration with product delivered to each of the six long term customers and to two new term contract holders during the 2011 financial year."

Iron Ore Sales and Marketing

Current Year Sales

During the 2011 financial year Atlas exported approximately 4.6 million wet metric tonnes of iron ore fines to its Chinese customers. The product was a blend of production from the Pardoo and Wodgina mines with a targeted iron ore content of 57.5%.

The Atlas product is continuing to grow its market penetration with product delivered to each of the six long term customers and to two new term contract holders during the 2011 financial year.

In addition to sales to long term customers a number of spot sales were concluded during the 2011 financial year. These sales typically involved a bidding process to obtain the best price available in the market at the time and provided an excellent opportunity for new mills to trial the Atlas product and for both sides to gain a further understanding of each other's business practices and policies, with a view to conducting more substantial business moving forward.

Pricing

Pricing under the majority of the term contracts is calculated quarterly based on the average of the 62% Platts index for the three months ending one month prior to the quarter commencing, with adjustments made to reflect Atlas' product grade and quality.

Spot sales have been completed both on a fixed price basis and with reference to a monthly index average.

Pricing has been significantly stronger in the second half of the 2011 financial year which has increased operating margins. The increased sale price has however in large part been offset by the strength of the Australian dollar, with all product sales denominated in United States dollars but ultimately reported in Australian dollars.

No significant iron ore price or currency hedges were entered during the financial year.

Shipping

All product was sold on delivered basis into China. In the first half of the year shipping predominately occurred via the Fortescue Metals Group ("FMG") port facility, using FMG arranged freight in Cape size vessels. Once the new Utah Point port facility completed commissioning in the December 2011 quarter, increasing volumes were exported from that port facility, typically using Post Panamax or Mini Cape sized vessels chartered directly by Atlas on a spot basis.

Future Developments

Market development is continuing both inside and outside of China to build relationships with existing and new customers to ensure that expansion volumes can be sold into the market and existing contracts secured or replaced as the three year contracts entered in late 2008 and early 2009 start to expire in the 2012 financial year.

Demand for new contracts and renewal of existing contracts remains strong and the Company is confident that all tonnage produced will be easily absorbed by the iron ore market. The majority of iron ore market analysts have increased their near and long term iron ore pricing assumptions recently as demand remains strong and supply growth has been slower than anticipated. Strong pricing outcomes are expected to continue in the foreseeable future.

As new contracts are entered or renewed, Atlas will be generally looking to shorten the pricing reference period from quarterly to monthly to ensure that a price more reflective of current conditions is received. New contracts would be expected to be issued some six months ahead of new mines commencing operations and the product ultimately delivered will represent a blend of all Atlas mines. This allows the complementary nature of the various Atlas ore bodies to be fully utilised to present the best available product specification for our customers.

Corporate Activity

Aurox Resources Limited Merger

In August 2010, the Company completed a merger with Pilbara iron ore developer Aurox Resources Limited. Aurox owned the Balla Balla project and significant port access rights at the Utah Point port facility in Port Hedland.

Giralia Resources NL Merger

During the year Atlas made a successful off market takeover bid for Giralia Resources NL. This off-market bid was completed in March 2011. There was a compelling strategic and financial rationale for the combination of Atlas and Giralia including complementary iron ore assets in the North Pilbara, a significant increase in combined resource inventory, ability to leverage Atlas' strategic port access arrangements and accelerate the commercialisation of the merged group's projects.

FerrAus Limited transactions and merger

On the 27th June 2011 Atlas announced a recommended off-market takeover bid for FerrAus Limited. This transaction is a logical fit between two companies with highly complementary iron ore assets in the South East Pilbara. Consolidation is to be achieved initially through the combination of FerrAus' and Atlas' complimentary assets in the South East Pilbara within FerrAus to create a significant, South East Pilbara focussed iron ore development company, followed immediately by a recommended takeover offer for FerrAus by Atlas.

On 29 August 2011 FerrAus shareholders voted in favour of stage 1 of the transaction at an EGM. A Bidder's Statement and a Target Statement were despatched to FerrAus shareholders on 5th September 2011 when the bid for FerrAus opened. At the date of going to print on this report Atlas had a relevant interest of over 95% in FerrAus. Atlas has confirmed to the market that at the close of the Offer it intends to proceed with compulsory acquisition of the outstanding FerrAus ordinary shares

The Combined Resources and Reserves of the Atlas and FerrAus are set out below.

Combined Entity DSO Resources

Region	Resource Classification	Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	CaFe (%)
North Pilbara	Measured	15.3	57.5	6.0	1.6	0.07	8.7	63.0
	Indicated	148.5	56.8	6.5	2.2	0.10	9.1	62.5
	Inferred	272	56.0	7.1	2.4	0.11	9.4	61.9
Southeast Pilbara	Measured	32.9	58.7	4.5	2.7	0.10	8.1	63.9
	Indicated	248	57.1	5.7	3.3	0.09	8.6	62.4
	Inferred	224	55.8	6.9	4.2	0.09	8.3	60.8
West Pilbara	Inferred	38	53.6	7.5	4.8	0.04	9.3	59.1
Midwest	Inferred	12	60.0	3.3	2.7	0.05	1.6	65.1
Total	Measured	48.2	58.3	5.0	2.4	0.09	8.3	63.6
	Indicated	396.5	57.0	6.0	2.9	0.09	8.8	62.4
	Inferred	546	55.8	7.0	3.3	0.10	8.7	61.3
Grand Total	All Resources	991	56.4	6.8	2.8	0.10	8.8	61.8

Note: Refer to individual resource tables preceding for Atlas competent persons statements
Refer to competent persons statements following for FerrAus

Combined Entity DSO Reserves Table

Region	Reserve Classification	Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P %	LOI %	CaFe %
North Pilbara	Proven	12.42	58	5.6	1.5	0.08	8.7	63.5
	Probable	66.8	57.7	6.3	1.8	0.08	8.5	63.1
Southeast Pilbara	Probable	163	57.4	5.2	3	0.09	8.6	62.8
Sub Total	Proven	12.4	58.0	5.6	1.5	0.08	8.7	63.5
Sub Total	Probable	230	57.5	5.5	2.7	0.09	8.5	62.8
Grand Total	All Reserves	242	57.5	5.5	2.6	0.09	8.6	62.9

Note: FerrAus information was extracted from public information prepared by FerrAus Limited. For further details see FerrAus Limited's Target Statement released to ASX on 5 August 2011.

FerrAus Resources Statement

Geological interpretation, exploration results, and mineral resource information contained in this report to which this statement is attached is based on information compiled by Mr Peter Brookes who is a member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus Limited. Peter Brookes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being 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". Mr Brookes consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

FerrAus Ore Reserve Statement

The Ore Reserve Statement has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of FerrAus Limited. "The author of the report, Mr. Alan G Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants, states that he is a Member of The Australasian Institute of Mining and Metallurgy (The AusIMM) and has more than five years mining experience applicable to the mining of Iron Ore. He consents to the public release of this Ore Reserve estimate, providing it remains in the context presented"

Centaurus Metals Limited

In July 2011, Atlas entered a strategic alliance and subscription agreement with Centaurus Metals Limited, an emerging Brazilian iron ore explorer and developer. Following Centaurus shareholder approval in September 2011, Atlas acquired a strategic 19.9% equity stake in Centaurus for \$18.7m.

Senior Management

During the year a full management and staff review was completed to ensure your Company is well positioned to grow as a medium sized iron ore producer, developer and explorer. A number of promotions have occurred. On 1 July 2011, Jeremy Sinclair and Ken Brinsden were promoted to Chief Operating Officer and Chief Development Officer respectively. Following this review and associated promotions, 21% of senior management are now female.

S&P/ASX 100 Index

In March 2011 Atlas joined the S&P/ASX 100 Index. At the date of printing this annual report Atlas is now ranked in the top 60 ASX listed entities.

Magnetite Projects

Atlas owns three significant magnetite projects in Western Australia which are at various stages of maturity.

The first of these projects, Ridley, is co-located within the Pardoo DSO mine footprint and is some 57km east of port of Port Hedland. Ridley is a large homogeneous deposit with a current resource in excess of 2 Billion tonnes at 36.5% Fe. It has been the subject of a pre-feasibility study which shows robust economics at a targeted production rate of 15 Mtpa. Ridley's scale and positioning close the world's largest iron ore export port are key attractions.

The second is Balla Balla, which is located some 110km south west of Port Hedland and approximately 100 km from the proposed Anketell Point port. Balla Balla is a significant titanomagnetite orebody which was acquired via the 2010 acquisition of Aurox Resources Ltd. The project has been the subject of a Definitive Feasibility Study and has received its key environmental approvals to facilitate early project development. Balla Balla has the ability to provide multiple commodity streams, with the current resource contain Iron (44.7%), Vanadium (0.64%) and Titanium (13.7%).

The third project is Yerecoin, which was acquired via the 2011 acquisition of Giralia Resources Ltd. Yerecoin is located 120km north east of Perth and within a kilometre of an existing railway line. It is a smaller scale project, with a current resource of 187 MT at 30.9% Fe and further exploration upside available. Initial testwork has indicated an extremely high quality concentrate can be produced, with iron content of 70%+ and low impurity levels, at a relatively coarse grind size when compared to other Western Australian magnetite projects.

This coarse grind significantly reduces power consumption which is a key operating cost for magnetite projects. The project is in the early stages of development with a scoping study prepared by Giralia in 2010.

Atlas is examining how to best realise value for shareholders from this group of projects. The primary focus to date has been to introduce joint venture partners to assist in funding development so that these large capital cost projects can be progressed to production without drawing heavily on Atlas' balance sheet.

Good progress has been made on this during the year in spite of the fiscal uncertainty presented by the Australian Government's proposed introduction of the Mining Resource Rent Tax and Carbon Tax. Each asset is under review by a number of significant international companies who are working through project and financial due diligence with a view to concluding a deal in the coming financial year.

North West Infrastructure (NWI)

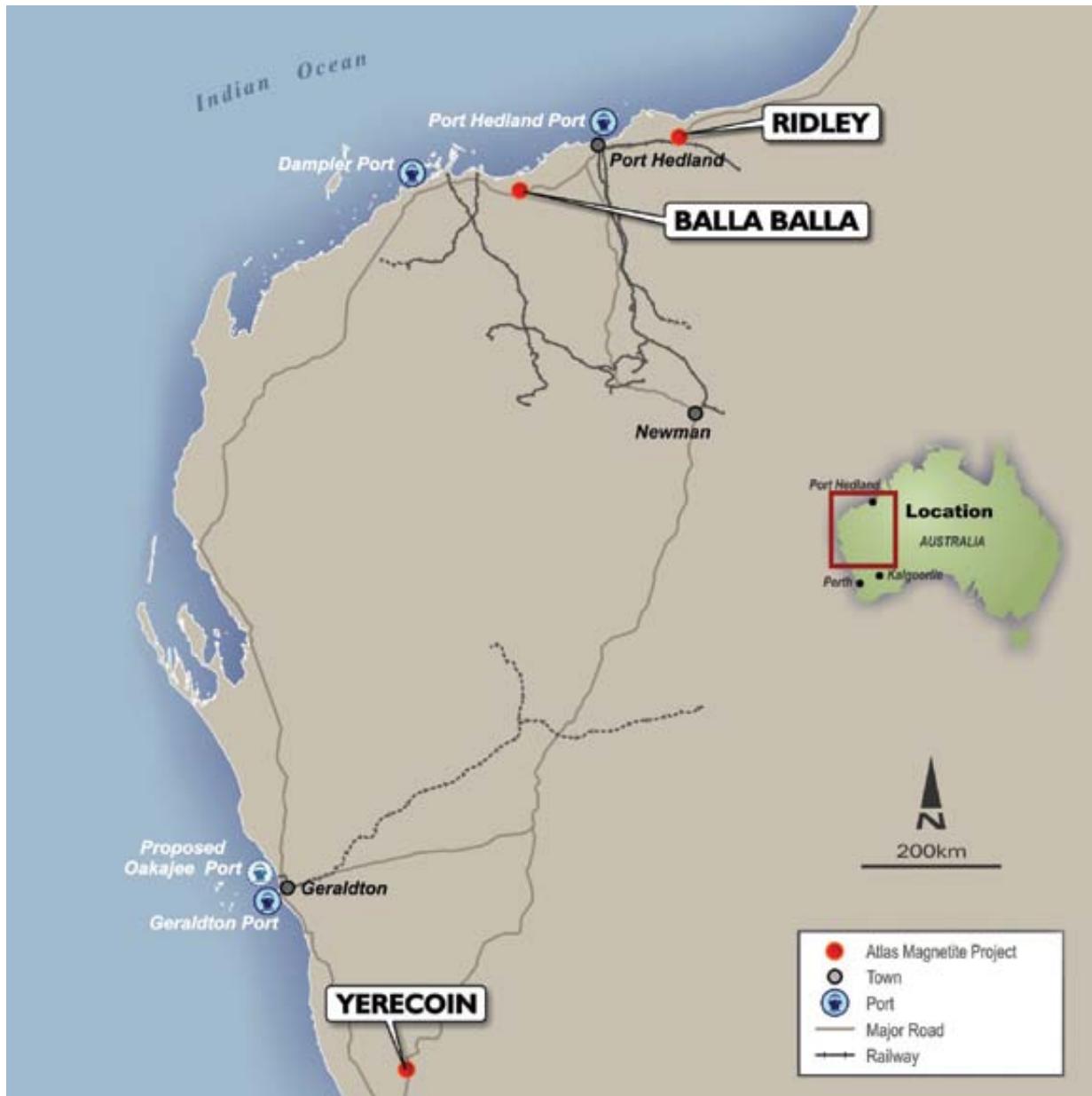
Atlas Iron is a founding member of NWI (formerly the North West Iron Ore Alliance). NWI is advancing the development of its South West Creek port and stock handling facility, supporting the growth of emerging Pilbara iron ore producers.

NWI has made significant progress towards the development of the South West Creek port with economic studies nearing completion, environmental studies well progressed and Native Title negotiations in progress. With Atlas Iron Limited's significant growth profile outlined through the acquisition of Giralia Resources NL and subsequent proposed transactions announced with FerrAus, the South West Creek port is an important link in Atlas' Horizon 2 logistics chain.

Shaw River Manganese Limited

At the date of this report Atlas holds a 45.4% interest in Shaw River Manganese Limited (Shaw) (ASX Code: SRR). Shaw is a manganese explorer and developer with assets in Namibia, the Pilbara and Ghana. Shaw continues to hold non iron ore mineral rights over a portion of Atlas' Pilbara tenements. During the 2011 Atlas supported Shaw River's acquisition of a Namibian manganese development asset. For further details on Shaw River's activities, please refer to Shaw River's announcements or its website (www.shawriver.com.au).

Atlas' Magnetite Projects



Competent persons and JORC Compliance Statements

Geological Data, Interpretation and Resource Estimation – DSO Projects

The information in this report that relates to mineral resource results on Atlas' DSO Projects is based on information compiled by Mr Steve Warner who is a member of the Australasian Institute of Mining and Metallurgy. Steve Warner is a full time employee of Atlas. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has 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'. Steve Warner consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Reserve Estimation

The information in this report that relates to reserve estimations on Atlas' DSO Projects 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 has 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'. 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.

Dollars means Australian dollars.



Corporate Governance



"The Company continues to review all its corporate governance practices and policies and compare its current practices and policies against the ASX Guidelines ..."

The Company is committed to implementing and maintaining the highest standards of corporate governance. In determining what those standards should involve, the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations (the ASX Guidelines)*. The Company is pleased to advise its practices are largely consistent with those of the ASX guidelines.

The Company continues to review all its corporate governance practices and policies and compare its current practices and policies against the ASX Guidelines with a view to ensuring the Company's corporate governance practices and policies are up to date and reflect the Company's current stage of development as well as accommodating the Company's future growth.

The Board considers that the Company is of a size and its affairs of such complexity to justify an Audit & Risk Committee, Remuneration Committee and a Nominations Committee.

The charters for these three committees were formed in compliance with the guidelines set out in the ASX Guidelines. The Audit & Risk Committee, the Remuneration Committee and the Nomination Committee each make recommendations to the Board. The Board as a whole addresses the governance aspects of the full scope of the Company's activities to ensure that it adheres to appropriate ethical standards.

The Board of Directors

Composition of the Board

The Company's Constitution reflects the requirements of the Corporations Act 2001 and ASX Listing Rules and is up to date with best corporate practice. The Company's Constitution provides that the number of directors shall not be less than three. While there is no requirement for any shareholding qualification, all directors currently hold equity securities in the Company.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's organisational nature and structure will be determined by the Board within the limitations imposed by the Constitution, as approved by shareholders on 20 July 2009.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's Constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors deem appropriate and, subject to the terms of any agreement entered into, may revoke any appointment.

With the retirement of Mr. Geoff Clifford in July 2011 and with the increased corporate activity in the past twelve months, the Board will be seeking to appoint additional independent non-executive Directors, to enhance the current Board. These appointment(s) will be made as early as possible in the new financial year. Since 6 November 2009 up to 31 July 2011, the Company has complied with Recommendation 2.1 of the ASX Guidelines. The Company intends that any new appointments to the Board will be made in accordance with the ASX Guidelines.

Role of the Board

In 2007 the Company established a formal Board Charter as per Recommendation 1.1 of the ASX Guidelines. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other

interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Managing Director for the day-to-day management of the Company. Powers and functions not delegated remain with the Board. The following are regarded as the key responsibilities and functions of the Board:

- to develop, review and monitor the Company's long-term business strategies and provide strategic direction to management;
- to approve the acquisition, establishment, disposal or cessation of any significant business of the Company;
- to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance and that management is taking appropriate action to minimise those risks;
- to review and approve the Company's financial statements;
- to monitor management's performance and the Company's financial results on a regular basis;
- to appoint, ratify, appraise and determine the remuneration and benefits of the Managing Director;
- to delegate powers to the Managing Director as necessary to enable the day-to-day business of the Company to be carried on, and to regularly review those delegations;
- to ensure that the Company has in place appropriate systems to comply with relevant legal and regulatory requirements that impact on its operations;
- to determine the appropriate capital management for the Company including share and loan capital and dividend payments;
- to determine and regularly review an appropriate remuneration policy for employees of the Company;
- to approve senior management succession plans and significant changes to organisational structure;
- to authorise the issue of shares, options, equity instruments or other securities; and
- to establish procedures which ensure that the Board is in a position to exercise its powers and to discharge its responsibilities as set out in the Board Charter.

Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of the Company's business activities is delegated to the Managing Director who is accountable to the Board.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards. In light of the time commitment required by appointment to the Board, non-executive directors are asked to limit the number of other directorships for the duration of their appointment with the Company. Non-executive directors are asked to provide the Board with details of other commitments and an indication of time involved. The Board will regularly review the time required of a non-executive director and make an assessment as to whether the directors are able to meet their commitment to the Company. The Nominations Committee is charged to regularly review the time required by a Director to effectively undertake his or her Board responsibilities (and Board committee responsibilities, where relevant) and determine whether each Director is meeting that requirement after identifying and considering details of that Director's other commitments.

Chairman

The current Chairman of the Board, Mr. David Hannon, is an independent, non-executive director and a resident Australian citizen. The Chairman is responsible for leadership and effective performance of the Board and for the maintenance of relations between directors and management that are open, cordial and conducive to productive cooperation. The Chairman's responsibilities are set out in more detail in the Board Charter and the Company's Constitution, which is available in the corporate governance section of the Company's website.

As announced to the ASX on 25th May 2011 Mr. Geoff Clifford decided to step down from his role as Chairman and as a director effective 31 July 2011. Mr. Clifford was also an independent, non- executive director and resident Australian citizen.

Director Independence

The independence of a Director is assessed in accordance with the guidelines set out in the **ASX Guidelines**. In accordance with these guidelines, the Board assesses independence with reference to whether a Director is non-executive, not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another group member other than as a director.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality is considered from the perspective of the Company and its group members, the persons or organisations with which the director has an affiliation and from the perspective of the director. The Board reviews the independence of directors before they are appointed and on an annual basis. The Board has reviewed the independence of each of the Directors in office at the date of this report and has determined that three of the five Directors are independent. The two Directors that are not considered independent are:

- Mr. David Flanagan as he is an executive director and a member of management;
- Ms. Tai Sook Yee as she is a senior executive of IMC Group, which is currently a substantial shareholder of the Company.

For the vast majority of decisions made by the Board, Ms. Tai brings substantial expertise and experience to the Board. The Board considers that the value of this expertise and experience outweighs any issues associated with Ms. Tai currently not having 'independent director' status.

Nominations Committee

The Board has determined that the Company is of a size and its affairs of such complexity to justify a Nominations Committee. The charter for the Nominations Committees was approved in 2008. The charter for the Nominations Committee is reviewed regularly and updated to reflect changes in best practice. The role of the Committee is to

- assist the Board in relation to the selection and appointment of members of the Board;
- assess and determine the independent status of each Director, Consider and make recommendations to the Board about the size and composition of the Board;
- Implement a plan for identifying, assessing and enhancing Director competencies to ensure that the Board comprises Directors who possess an appropriate range of skills and expertise;

- Regularly review the time required by a Director to effectively undertake his or her Board responsibilities;
- Develop and implement induction procedures to allow new Directors to participate fully and actively in Board decision-making at the earliest opportunity;
- Develop, implement and review the Company's succession plans in place for membership of the Board; and
- Develop and implement processes for evaluating the performance of the Board, the Board committees and individual Directors against appropriate measures.

Nominations Committee members are appointed by the Board for a term considered appropriate by the Board. The Board may appoint additional independent non-executive Directors to the Nominations Committee and may remove or replace members of the Nominations Committee by ordinary resolution. The Nominations Committee must comprise a minimum of 3 non-executive Directors, with the majority being independent Directors. The Chairman of the Nominations Committee must be an independent director, and may be the Chairman of the Board. In the new financial year, and with the new Board structure, the Nominations Committee composition will be reviewed, but in any case is expected to continue to be comprised of a majority of independent Directors.

The Nominations Committee will meet as often as the Committee members deem necessary in order to carry out the responsibilities of the Nominations Committee. Any Nominations Committee member may convene a meeting of the Nominations Committee.

Remuneration Committee

In reading this section, shareholders are encouraged to read the Remuneration Report set out on pages 63 to 71 of the Annual Report.

The Board has determined that the Company is of a size and its affairs of such complexity to justify a Remuneration Committee. The charter for the Remuneration Committee was reviewed and updated in August 2011.

Within the scope of its duties and responsibilities, the Remuneration Committee is generally authorised to:

- consult with and seek any information from any Director or officer or employee of the Company who has the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance, being a Senior Executive or any external party;
- obtain (at the Company's expense) financial, legal or other professional advice from external consultants or specialists it considers necessary to assist the Remuneration Committee in meeting its responsibilities; and
- require the attendance of any Company employee at Remuneration Committee meetings.

Remuneration Committee members are appointed by the Board for a term considered appropriate by the Board. The Board may appoint additional independent non-executive Directors to the Remuneration Committee and may remove or replace members of the Remuneration Committee by ordinary resolution. The Committee currently comprises of 3 non-executive Directors, with the majority being independent Directors. The Remuneration Committee Charter requires that the Chairman of the Remuneration Committee should, where possible, be an independent director, and should, where possible, not be the Chairman of the Board.

The current Chairman of the Remuneration Committee is Mr. David Hannon who is an independent director and the Chairman of the Board,. In the new financial year, and with the new Board structure, the Remuneration Committee composition will be reviewed, but in any case is expected to continue to be comprised of a majority of independent Directors.

The role of the Remuneration Committee is to assist the Board in developing the Company's remuneration, recruitment, retention and termination policies. The specific duties and responsibilities of the Remuneration Committee are as follows:

- Consider and recommend to the Board a remuneration policy for executive Directors and Senior Executives
- Consider and recommend to the Board a remuneration framework for the non-executive Directors that is clearly distinguished from that of executive Directors and Senior Executives
- When making recommendations to the Board, consider the ASX Guidelines in respect of executive remuneration packages and non-executive director remuneration set out under Principle 8 of the ASX Guidelines, and ensure that both cash and equity-based remuneration is structured in accordance with the thresholds and restrictions under AGO's constitution, the ASX Listing Rules and the Corporations Act 2001 (Cth). By way of example, as stated in the Remuneration Report, in August 2011 the Remuneration Committee recommended and the Board approved the suspension of the current Employee Share Option Plan and agreed to recommend a long term incentive plan more suitable for the status of the Company to shareholders at the 2011 Annual General Meeting.
- Develop, review and make recommendations to the Board in relation to the Company's policies and practices relating to recruitment, training, retention and promotion, review and appraisal of performance and termination of employment.
- Regularly review the succession plans in place for executive Directors and Senior Executives to ensure that an appropriate balance of skills, experience and expertise is maintained.
- Ensure the Company carries out its obligations in respect of superannuation, retirement benefits and other related benefits and entitlements.

- Ensure that the Company reports on remuneration annually in the remuneration report and that all disclosures the remuneration report comply with the Corporations Act 2011 and are consistent with the remuneration principles of the ASX Guidelines.

As a result of legislative changes in June 2011 with respect to remuneration report disclosures, Company guidelines and policies have been developed, approved by the Board and implemented for the engagement of Remuneration Consultants, with all reporting from such Consultants being delivered directly to the Remuneration Committee and/or the Board.

The Remuneration Committee will, where possible, meet at least twice each year or as often as the Committee members deem necessary in order to carry out the responsibilities of the Committee. Any Committee member may convene a meeting of the Committee.

Independent Professional Advice

Subject to a director not having a conflict of interest on a particular matter, directors have direct access to members of Company management and to Company information in the possession of management. The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Conflicts of Interest

The Board reviews at each Board meeting any conflicts of interest that may occur and which apply if there is, or may be, a conflict between the personal interests of a director, or the duties a director owes to another company, and the duties the director owes to the Company. A director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process. Minutes reporting on matters in which a director is considered to have a conflict of interest are not provided to that director. However, the director is given notice of the broad nature of the matter for discussion and is updated in general terms on the progress of the matter.

The Company's Code of Conduct requires that all business transactions must be conducted solely in the best interests of the Company. The Code of Conduct which can be found on the Company website, was amended in December 2010 to include the Atlas Values, which were included to encourage all Employees and Directors to work under such Values.

Employees must avoid situations where their personal interests could conflict with the interests of the Company. A conflict of interest exists where loyalties are divided. A person can have a potential conflict of interest if, in the course of their employment or engagement with the Company, any decision they make could provide for an improper gain or benefit to themselves or an associate. A conflict of interest may be defined as an issue that may occur when personal interests, the interests of an associate or relative or a duty or obligation to some other person or entity, conflict with a person's duty or responsibility to the Company. Employees must notify their manager, the chief executive officer or company secretary if the individual suspects that there is a conflict of interest or a potential conflict of interest.

Directors Retirement and Re-election

Non-executive directors must retire at the third Annual General Meeting (AGM) following their election or most recent re-election. At least one non-executive director must stand for election at each AGM. Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Board support for a director's re-election is not automatic and is subject to satisfactory director performance.

Continuous Review of Corporate Governance

Directors consider and review, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions.

The directors recognise that mining production, mineral exploration and mine development are inherently risky business activities and that the corporate and operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

Ethical Standards – Code of Conduct

In 2007, the Company introduced a formal Code of Conduct as per Recommendation 3.1 of the ASX Guidelines. The Code of Conduct was amended in December 2010 to include the Atlas Values, which were included to encourage all Employees and Directors to work by these Values. The Code of Conduct outlines how the Company expects its directors and employees and those of its related bodies corporate to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must

conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. The objective of the Code of Conduct is to provide a benchmark for professional behaviour throughout the Company, support the Company's business reputation and corporate image within the community; and make directors and employees aware of the consequences if they breach the Code of Conduct.

The Company aims to maintain the highest standard of ethical behaviour in business dealings and to behave with integrity in all its dealings with customers, clients, shareholders, government, employees, suppliers and the community. Directors and employees are expected to perform their duties in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. This should involve as a minimum,

- acting within applicable laws, particularly those that deal with matters covered by this code, including equal opportunity and anti-discrimination laws,
- acting with courtesy,
- acting with fairness and respect in supervision,
- encouraging co-operation,
- fostering an environment where rational debate is encouraged, with a view to achieving shared goals,
- avoiding behaviour that might reasonably be perceived as bullying or intimidation, and
- understanding and responding to the needs of the Company's broader stakeholders including the community at large.

The Company is committed to maintaining a healthy and safe working environment for its Employees. The Company continues to add to its professional occupational health and safety staff to ensure appropriate occupational health and safety systems and procedures are introduced and implemented. All appropriate laws and internal regulations (including occupational health and safety laws) must be fully complied with. The Company will take into account the impact of health and safety issues when making business decisions, setting short term incentive program targets and must ensure that business decisions do not compromise the commitment to avoiding injury to people.

In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

Equal Employment Opportunity and Diversity

During the year an Equal Employment Opportunity and Diversity Policy was approved by the Board and implemented. The Policy can be found on the Company website. This Policy applies to all Company employees, contractors and stakeholders.

The Company values diversity in all aspects of its business and is committed to creating a working environment that recognizes and utilizes the contribution of all of its employees. The Company will actively ensure equal opportunity in relation to

- Gender
- Marital Status
- Sexual orientation
- Age
- Race/Cultural background
- Religious or political opinions
- Family responsibilities
- Disability

Privacy Policy

The Company has a formal Privacy Policy. The Company is committed to respecting the privacy of stakeholders' personal information. This Privacy Policy sets out its personal information management practices and covers the application of privacy laws, personal information collection, the use and disclosure of personal information, accessing and updating stakeholders' information and the security of stakeholders' information.

Other than the introduction of a formal Privacy Policy and a formal Code of Conduct, both described above, the Board has not adopted any additional formal codes of conduct to guide compliance with the Company's legal and other obligations to legitimate stakeholders as per Principle 3 of the ASX Guidelines.

Directors' and Employees' Dealings in Company Shares

The Company has formal Guidelines for Dealing in Securities. This was amended in December 2010 following Board approval, released to the ASX in December 2010 and published on the Company website. The Company's Guidelines for Dealing in Securities aim to ensure that the Company complies with the current ASX Listing Rules and complies with best practices outlined in the ASX Listing Rules and its Guidance Notes on Trading Policies. This policy applies to all directors, employees and contractors of the Company. In addition, directors must, via the Company Secretary, notify the Australian Securities Exchange Limited of any acquisition or disposal of shares by lodgement of a Notice of Director's Interests. Appropriate approvals and notification systems and procedures are set out in the Guidelines for Dealing in Securities. Board policy is to prohibit directors and employees from dealing in shares of the Company whilst in possession of price sensitive information and during prohibited periods. Any non-compliance with the Company's Guidelines for Dealing in Securities will be regarded as serious misconduct which may entitle the Company to terminate the employment of any employee or contractor found to be in breach of these guidelines.

Continuous Disclosure and Shareholder Communication

The Company has a formal Continuous Disclosure and Information Policy as per Recommendation 5.1 of the **ASX Guidelines**. This policy is reviewed periodically, was last updated and approved by the Board in March 2009 and remains unchanged in 2010/2011. This policy ensures that material price sensitive information is identified and reported to Management for release, ensures the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules, and ensures the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders who have requested either printed or electronic copy,
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website,
- the Annual General Meeting (AGM) and other general meetings so called to obtain approval for Board action as appropriate,
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

In addition, the Company's auditor is required to be present, and be available to shareholders, at the AGM.

Audit & Risk Committee and Audit & Risk Committee Charter

One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all Shareholders and compliance with all regulatory requirements. To this effect in 2006 the Board established an Audit & Risk Committee as required by Recommendation 4.1 of the **ASX Guidelines**. The Audit & Risk Committee's primary function is to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements. At 30 June 2011, the Audit & Risk Committee was comprised of three directors, Dr David Smith, Geoff Clifford and David Hannon. These Directors are considered to be independent and all three members are non-executive Directors. In the new financial year, and with the new Board structure, the Audit & Risk Committee composition will be reviewed, but in any case is expected to continue to be comprised of a majority of independent Directors.

The role of the Audit & Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures and the internal and external audit functions. Management reports quarterly on risk and opportunity management to the Audit and Risk Committee and the Board. Key activities undertaken by the Audit & Risk Committee during the year included:

- appointment of a new independent external auditor, KPMG
- approval of the scope, plan and fees for the external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices and any changes significant accounting policies and practices;
- review of the Company's key risks and risk management framework as developed by management;
- review of reports from management on the effectiveness of the Company's management of its material business risks; and
- review and recommendation to the Board for the adoption of the Company's half year and annual financial statements.

The external auditors, the Managing Director and the Chief Commercial Officer attend Audit & Risk Committee meetings by invitation. At all of the Audit & Risk Committee meetings, time is scheduled for the Audit & Risk Committee to meet with the external auditors.

In 2006, the Board approved a formal Audit & Risk Committee Charter as required by Recommendation 4.3 of the **ASX Guidelines**. This Charter was introduced to ensure the Company achieves best practice in safeguarding the integrity of the Company's financial reporting. The Charter is reviewed on a regular basis by the Board and the Audit & Risk Committee

As required by Recommendation 7.1 of the **ASX Guidelines**, the Company has established policies for the oversight and management of material business risks. During the year, the Company has reviewed, amended and updated its formalised policies on risk and opportunity management.

The Board recognises its responsibility for identifying areas of material business risks and for ensuring that arrangements are in place to adequately manage these risks. Material business, strategic, corporate, operational, project and OH & S risks are regularly reviewed at Board meetings and a risk management culture is practiced by employees and contractors.

Determined areas of risk which are regularly considered include performance and funding of exploration, development and operations activities, budget control and asset protection, status of mineral tenements, land

access and native title considerations, compliance with government laws and regulations, safety, the environment, continuous disclosure obligations and privacy. The Directors have received and considered the financial statement and risk management certification from the Chief Executive Officer and the Chief Financial Officer in accordance with the ASX Guidelines relating to financial reporting and the management of risk.

In 2008, the Board approved a Financial Risk Management Policy. The purpose of this Financial Risk Management Policy is to establish an integrated financial risk management framework and procedures for the efficient management of the Company's financial price risks that arise through its iron ore mining activities. This policy outlines the objectives of the risk management activity undertaken by Atlas and details the procedures and parameters that govern these activities. A sound Financial Risk Management Policy is essential to ensure all financial and commodity price risks are fully recognised, managed and recorded in a manner consistent with the Board's management philosophy, commonly accepted industry practice and corporate governance and shareholders expectations of an iron ore producer. These issues will be addressed through the continuing evolution of this Financial Risk Management Policy, which is to be reviewed annually.

During the year a Risk and Opportunity Management Plan was updated, further developed, and reviewed. The Risk and Opportunity Management process followed was in accordance with the Australian and New Zealand Risk Management Standards.

The Company has reviewed, amended and updated its formalised policies on strategic, corporate and operational risk management. The Company's Risk Registers and Treatment Plan were updated and further developed with analysis conducted on all risks with a rating of high-medium and above. As part of the Risk and Opportunity Management review process, the Company has Risk and Opportunity Management ("ROM") program, which incorporates processes for identifying, evaluating and managing material risks to the achievement of Atlas's strategic, operational, project and corporate objectives.

Atlas' Risk Management Policy

Policy: Risk and opportunity management (ROM) is part of Atlas culture and is supported by a system and process that is focused on the effective management of uncertainty. ROM enables Atlas personnel to deliver better outcomes through a whole of business approach to the management of uncertainty, as well as satisfying corporate governance requirements. Atlas will establish and maintain a ROM program by ensuring a consistent approach to: capturing and evaluating risks and opportunities, determining whether further action is required, prioritising and implementing further actions where necessary, and communicating and reporting material risks to management and stakeholders.

Atlas' ROM program addresses risk at four levels:

- **Strategic:** Uncertainties associated with the long term direction of the business, macro external threats and opportunities, ensuring uncertainties are articulated and prioritised and that the business is aligned to strategic goals;
- **Business:** Uncertainties associated with achieving financial and non financial objectives relating to business as usual activities are identified, prioritised and effectively managed and that Atlas people are risk aware, proactive in managing uncertainty and take responsibility;
- **Sustainability:** Uncertainties associated with our social and legal license to operate are managed in detail with heavy emphasis on prevention;
- **Resilience:** Extreme Uncertainties which might affect the continuity of our business are adequately managed and that our people are adequately prepared to minimise business impacts should these events occur.

Atlas is committed to: integrating ROM with other business systems; establishing a culture of ROM to ensure benefits are realised, developing people's knowledge and understanding of ROM, implementing actions to agreed standards and timeframes, and utilising ROM to achieve strategic targets. Atlas people will understand the objectives and rationale of the ROM Program, work collaboratively and actively participate in ROM activities, take responsibility for and implement required business improvement activities, and Communicate risk and opportunities to colleagues.

Atlas' ROM program recognises the importance of risk management to business success and in meeting corporate governance requirements. During the 2010 financial year Atlas established the foundations of our ROM program and during the 2011 financial year our focus has been on embedding risk and opportunity management within all areas of the business.

Management of material risks

Relevant Atlas personnel, including all senior management and, where required, external experts participate in regular, scheduled workshop based risk and risk and change reviews, during which change, risks and related controls are identified and evaluated. The ROM Standards provide for various specific management roles and responsibilities and an organisational structure governs lines of communication, authority and reporting. The Standards provide that nominated risk and control owners have responsibility for implementing required further actions to improve controls over material risks, and this is the subject of management review and audit.

Management has been committed to the implementation of control improvement strategies. This was evidenced during the 2011 financial year risk and change reviews for the strategic, corporate and operational risk profiles. Outcomes demonstrated overall risk profiles and effectiveness of controls had improved due to the prioritised approach to implementing further actions. Management are using risk profiles to facilitate business planning processes. As part of our focus for better integration of ROM within the business, a ROM training program has been developed and will be presented to target audiences at all levels management.

ROM activity is governed by an overall 3 year plan and annual work plans that recognise the requirement to continually develop and enhance our system for effective management of risk in all areas of the business, and to ensure our approach mirrors the need of a developing and expanding organisation. Relevant Atlas personnel, including the executive leadership team participate in scheduled workshop based risk and change reviews, during which changes to the business environment, risks and related controls are identified and evaluated. The ROM Standards provide for various specific management roles and responsibilities and an organisational structure governs lines of communication, authority and reporting. The Standards provide that nominated risk and control owners have responsibility for implementing required further actions to improve controls over material risks, and this is the subject of management review and audit.

Reporting on material risks

The Board has required management to report to it on whether material business risks are being managed effectively and efficiently. "Effectiveness" is determined during workshop based risk reviews against standard risk and control effectiveness criteria.

Management reports to the Audit and Risk Committee and Board quarterly as to the effectiveness of Atlas's management of material risks against the ROM criteria, and risk profile summaries, progress against schedule and upcoming activities are reported to the audit and risk committee. The strategic risk profile is reported against Atlas' strategic plan objectives. Business risk profiles are reported against respective corporate, operations and project objectives. Reporting covers financial (revenue, cost), safety, environment, community, reputation, compliance and other material risk impacts described in Atlas' risk criteria. As part of the risk and change process, risk profiles are reported to the relevant area owners for communication to the business. As the ROM program focuses on risks effecting the achievement of our business objectives, a summary of risk and control profiles against those objectives, commentary on control effectiveness and key changes are provided.

ASX Principles of Good Corporate Governance

As previously stated, the Company continues to review all its corporate governance practices and policies and compare its current practices and policies against the 2nd Edition of ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations (the ASX Guidelines)* and any changes to legislation or these ASX Guidelines with a view to ensuring the Company's corporate governance practices and policies are up to date and reflect the Company's current stage of development as well as accommodating the Company's future growth. As the Company's activities continue to develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees and policies will be given further due consideration. In the new financial year, the Board composition is expected to be comprised of a majority of independent Directors.

The following table sets out the Company's present position with regard to adoption of the ASX Guidelines.

ASX Principle/Recommendation	Status	Reference/comment
Principle 1: Lay solid foundations for management and oversight		
1.1 Establish the functions reserved to the Board and those delegated to senior executives and disclose those roles	A	In 2007 the Board approved a Board Charter which sets out the key responsibilities and functions of the Board. Each new director receives a formal letter of appointment which sets out the terms of the director's appointment including remuneration, term, responsibilities, special duties, conflict management and has a copy of the constitution and all corporate governance policies and charters attached.
1.2 Disclose the process for evaluating the performance of senior executives	A	The performance of senior executives is fully reviewed on an annual basis with a half year assessment of performance also completed. The performance of senior executives is assessed against key performance indicators set at the start of the assessment period.
1.3 Provide the information indicated in Guide to reporting on Principle 1	A	
Principle 2: Structure the Board to add value		
2.1 A majority of Board members should be independent directors	A	For the year ended 30 June 2011, the Board comprised of a majority of independent directors (including the chairman). Where, due to the resignation of an independent director or the appointment of a person who is not an independent director, the Board will endeavor to appoint sufficient independent directors to ensure that a majority of Board members are independent directors
2.2 The chairperson should be an independent director	A	
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual	A	The positions of chairman and managing director are held by separate persons.
2.4 The Board should establish a nomination committee	A	In 2008, the Board formed a Nomination Committee which is in compliance with Recommendation 2.4. In 2008, the Board approved a Nomination Committee Charter. The Nomination Committee is made up of three independent directors and is chaired by an independent director.
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors	A	
2.6 Provide the information indicated in Guide to reporting on Principle 2	A	The skills and experience of directors are set out in the Company's annual report and on its website. The Company, cognisant of its growth to a medium sized producer and a top S&P/ASX 100 company, continues to develop policies and procedures to reflect its growing position as an established and growing iron ore producer.
Principle 3: Promote ethical and responsible decision making		
3.1 Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectation of stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	A	The Board has approved a Code of Conduct which can be viewed on the Company's website. This Code of Conduct was reviewed and updated in December 2010. The Company has a formal Privacy Policy which can be viewed on the Company's website.

A = Adopted N/A = Not adopted

ASX Principle/Recommendation	Status	Reference/comment
3.2 Establish a policy concerning diversity and disclose the policy or a summary of the policy	A	<p>The Company has formulated an equal employment opportunity and diversity policy which can be viewed on its website.</p> <p>The EEO and Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.</p>
3.3 Disclose measurable objectives for achieving gender diversity set by the Board in accordance with the equal employment opportunity and diversity policy and progress towards achieving them	A	<p>The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements.</p> <p>It is the intention of the Company that all matters related to employment and career development will be free from discriminatory practices by ensuring that selection for jobs and career progression will be determined by personal merit, competency, qualifications and ability to effectively perform the role. The objective is that the Company is and remains at all times in compliance with legislative requirements including the Fair Work Act 2009, the Anti-Discrimination Act 1998, the Equal Employment Opportunity Act 1984, the Sex Discrimination Act 1984, the Racial Discrimination Act 1975, the Human Rights and Equal Opportunity Act 1986, the Disability Discrimination Act 1992 and all other relevant legislative requirements.</p> <p>At the date of this report, the Company is of the opinion that it is in compliance with all EEO and diversity legislative requirements.</p>
3.4 Disclose in its annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board	A	At the date of this report, 25% of Board, 31% of employees and 21% of senior executives are women.
3.5 Provide the information indicated in Guide to Reporting on Principle 3	A	

Principle 4: Safeguard integrity in financial reporting

4.1 The Board should establish an audit committee	A	The Company has established an Audit & Risk Committee which comprises at the date of this report of three non executive independent directors. The chairman is an independent director who is not Chairman of the Board.
4.2 The audit committee should be structured so that it:	A	<ul style="list-style-type: none"> • consists only non-executive directors • consists of a majority of independent directors • is chaired by an independent chairperson, who is not the chairperson of the Board • has at least three members
4.3 The audit committee should have a formal charter	A	The charter for the Audit & Risk Committee is disclosed on the Company's website.
4.4 Provide the information indicated in Guide to reporting on Principle 4	A	

A = Adopted N/A = Not adopted

ASX Principle/Recommendation	Status	Reference/comment
Principle 5: Make timely and balanced disclosure		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies	A	The Company has a formal Continuous Disclosure and Information Policy which can be viewed on its website.
Principle 6: Respect the rights of shareholders		
6.1 Design a communications strategy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy	A	The Company has a formal Continuous Disclosure and Information Policy to ensure information is made available in a timely and balanced way, following release to ASX, allowing shareholders to make informed decisions. To encourage greater shareholder participation in general meetings, under the new Constitution approved on 20 July 2009, shareholders can now vote at general meetings by Direct Vote. This has increased the number of shareholders voting at general meetings by over 50%.
6.2 Provide the information indicated in Guide to reporting on Principle 6	A	
Principle 7: Recognise and manage risk		
7.1 Establish policies for the oversight and management and management of material business risks and disclose a summary of those policies	A	The Company has an Audit & Risk Committee and a charter for that Audit & Risk Committee. During the year, the Company has reviewed, amended and updated its formalised policies on risk and opportunity management. The Board recognises its responsibility for identifying areas of significant material business risks and for ensuring that arrangements are in place for adequately managing these risks. Material business strategic, corporate, operational, project and OH&S risks are regularly reviewed at Board meetings and a risk management culture is practiced by employees and contractors.
7.2 The Board has required management to design and implement risk management and internal control systems to manage the Company's material business risks and report on it on whether those risks are being managed effectively. The Board confirms that management has reported to it as to the effectiveness of the Company's management of its material business risks.	A	The Company's Audit & Risk Committee has considered the risk management and internal control systems introduced by Management in 2007 and updated in 2008, 2009, 2010 and 2011, and reported to the Board. Management now reports quarterly to the Audit & Risk Committee and the Board. As the Company continues to expand to a multiple mine environment, Management has designed and continues to implement a risk and opportunity management program and internal control systems to manage the Company's material business risks across this multiple mine environment.
<p>Determined areas of risk which are regularly considered include:</p> <ul style="list-style-type: none"> • performance and funding of exploration, development and operations activities • budget control and asset protection • status of mineral tenements, resources and reserves • land access, approvals and native title considerations • compliance with government laws and regulations • safety • the environment • continuous disclosure obligations • privacy 		

A = Adopted N/A = Not adopted

ASX Principle/Recommendation	Status	Reference/comment
7.3 The Board has received assurance from the chief executive officer and the chief financial officer that:	A	
<ul style="list-style-type: none"> • the statement given in accordance with Section 294A of the Corporations Act is founded on a sound system of risk management and internal control and control which implements the policies adopted by the Board • the Company's risk and opportunity management and internal control system is operating effectively in all material respects in relation to financial report risks 		
Principle 8: Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee	A	In September 2008 the Board formed a Remuneration Committee which is in compliance with Recommendation 8.1. In September 2008, a Remuneration Committee Charter was approved by the Board which can be viewed on the Company's website.
<p>The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chairperson • has at least three members 	A	
8.3 Clearly distinguish the structure of non-executive directors remuneration from that of executives	A	
8.4 Provide information indicated in ASX Guide to Reporting on Principle 8	A	The Board has formed a Remuneration Committee and a Remuneration Committee Charter was approved by the Board. Appropriate remuneration policies are developed and approved by the Remuneration Committee and the Board each year to reflect the Company's plans for growth.

A = Adopted N/A = Not adopted



Financial Report

2011



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Directors' Report

DIRECTORS

The directors present their report together with the financial statements of the Group comprising of Atlas Iron Limited ("the Company" or "Atlas") and its subsidiaries ("the Group"), and the Group's interest in associates for the financial year ended 30 June 2011 and the auditor's report thereon.

The names and details of the Group's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated. Where applicable, all directorships held in listed public companies over the last three years have been detailed below.

Names, qualifications, experience and special responsibilities

David Flanagan B.Sc WASM, AICD, MAusIMM, (Managing Director)

Mr Flanagan is the founding Manager Director of the Company. Mr Flanagan is a geologist with extensive experience in mining operations, exploration and project development in Western Australia, Indonesia and West Africa. Graduating in 1993 David joined Coffey (formerly Resource Service Group (RSG)) in 1995 after working at the Fimiston Open Pit Operations.

Whilst with RSG he was seconded to Gencor's Bogosu operation as Chief Exploration Geologist. Whilst at RSG David also worked in an auditing capacity providing independent geological verification for financial institutions. In 1999 David joined Gindalbie Metals Limited, holding the position of Exploration Manager from 2001. At Gindalbie Mr Flanagan managed several scoping and feasibility studies advancing the understanding of its iron ore potential. Mr Flanagan left Gindalbie in 2004 to list and advance Atlas in the role of Managing Director. During the last 3 years Mr Flanagan was a non-executive director of Shaw River Manganese Limited, resigning on 19 February 2009.

David Hannon B.Ec,F.Fin (Non-Executive Director) – appointed interim Chairman 25 May 2011

Mr Hannon commenced his commercial career as a stockbroker and investment banker in 1985 working with several firms. He later became a joint partner of a private investment bank specialising in venture capital with a focus on the mining sector.

Mr Hannon operates a private investment bank, Chifley Investor Group Pty Limited. Mr Hannon has not held any other directorships in the last 3 years.

Mr Hannon holds a Bachelor of Economics from Macquarie University and is a Fellow with the Financial Services Institute of Australasia.

Mr Hannon is Chairman of the Audit and Risk Committee and Remuneration Committee and a Member of the Nomination Committee.

David Smith PhD.Sc, B.Sc Hons, FAICD, FAIM, FWLG (Non-Executive Director)

Dr Smith was appointed 6 November 2009.

With a career at Rio Tinto spanning 30 years, Dr Smith was, until 2009, President of Rio Tinto Atlantic covering the giant Simandou iron ore development in West Africa. Prior to that role, Dr Smith was Managing Director of Rio Tinto's Pilbara Iron, from 2004 to 2008, responsible for all Rio Tinto's business in the Pilbara. Between 2001 and 2004 he was Managing Director of Hamersley Iron. Dr Smith has served as President of the Chamber of Minerals and Energy of Western Australia (2005 to 2008), a Councillor of the Australia Business Arts Foundation (2003 to 2008), Commissioner of Tourism WA (2004 to 2006), Director of the Australian Institute of Management (2001 to 2007), a founding Director of Leadership WA (2003 to 2006) and as Chairman of the Board of the National Skills Shortages Strategy working Group (2006).

Directors' Report continued

Dr Smith is currently Chairman of Bannerman Resources Limited and a director of Macmahon Holdings Limited.

Dr Smith is a member of the Audit and Risk Committee and Chairman of the Nomination Committee. He was appointed to the Remuneration Committee on 25 August 2010.

Tai Sook Yee CPA (Non-Executive Director)

Ms Tai has over 25 years experience in corporate finance, operations and accounting, and is currently the Head of Chairman's Office and Head of Group Strategies & Investments at the IMC Pan Asia Alliance Group. In this role, she is responsible for the alignment of Group strategies and investments, and oversees the governance, corporate functions and performance of the investment portfolio of the Group. Prior to joining IMC in 2007, Ms Tai was the Country Director for Malaysia of a global leader in heavy building materials supplies. Ms Tai has substantial financial and operational experience in a wide range of industries including property development, construction, building materials supply, maritime, plantations and resources. Ms Tai is a CPA from Malaysia.

Ms Tai is currently a director of LinQ Capital Limited.

Ms Tai was appointed a member of the Audit and Risk Committee on 23 August 2011, Remuneration Committee and Nomination Committee on 24 August 2011.

Geoff Clifford B.Bus, FCPA, FCIS FAICD (Non-Executive Director) – retired effective 31 July 2011

From August 2005 until February 2007, Mr Clifford was Non-Executive Director of, and consultant to, Aztec Resources Limited. Prior to his time at Aztec, Geoff was General Manager Administration and Group Secretary of Cliffs Natural Resources Pty Ltd (formerly Portman Limited) for 8 years. Both of these companies are iron ore miners.

Mr Clifford holds a Bachelor of Business degree from Curtin University and undertook post graduate studies in Administrative and Secretarial Practice. He has more than 35 years experience in senior accounting, finance, administration and Group secretarial roles in the mining, retail and wholesale industries.

Mr Clifford currently is a Non-Executive Director of ASX listed companies Fox Resources Limited. During the last 3 years Mr Clifford was a Non-Executive Director of Centaurus Metals Limited and RMA Energy Limited. Mr Clifford is currently a member of the West Australian State Council of Chartered Secretaries Australia.

Mr Clifford was Chairman of the Nomination Committee and a Member of the Audit and Risk Committee and Remuneration Committee.

GROUP SECRETARIES

Anthony Walsh BComm, MBA, FCA, FCIS, FFin

Mr Walsh was appointed on 1 July 2006. He has 25 years experience in dealing with listed companies, 14 years with the ASX where he held the role of Assistant Manager and acted as ASX liaison with the JORC committee. Mr Walsh is currently a member of the West Australian State Council of Chartered Secretaries Australia. Prior to his role at ASX he worked with Ernst & Young for 5 years in an audit and compliance capacity.

Mr Walsh is currently Chairman of Shaw River Manganese Limited.

Mark Hancock BBus, CA, FFin

Mr Hancock was appointed Joint Group Secretary on 4 July 2008. He has more than 25 years experience in senior financial roles across a number of leading Australian and international companies including Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil plc.

Directors' Report continued

Interests in the shares and options of the Group and related bodies corporate

The interests of each director in the shares and options of the Group as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001 as at the date of this report is as follows:

	Ordinary Shares	Options over Ordinary Shares
David Flanagan	2,710,000	5,000,000
David Hannon	3,054,668	1,000,000
David Smith	-	1,000,000
Tai Sook Yee	-	500,000

DIVIDENDS

No dividends were paid or declared during the financial year. On 24 August 2011 the Board resolved to pay a final unfranked dividend of 3 cents per share.

CORPORATE INFORMATION

Nature of operations and principal activities

The principal activities of the Group during the course of the financial year were the exploration, development and mining of iron ore.

During the year the Group commenced exporting product from its second 100% owned direct shipping ore ("DSO") project at Wodgina. The Group exported 4.6 million wet metric tonnes during the year.

In addition to its Pardoo and Wodgina DSO projects, the Group is actively focused on the development and feasibility of its Abydos and Mt Webber DSO projects, which together with Wodgina, comprise the Turner River Hub project. The acquisition of Giralia Resources NL, completed in April 2011, has added the Daltons joint venture and the McPhee Creek DSO projects to Atlas' North Pilbara DSO projects. The acquisition of Aurox Resources Limited, completed in August 2010, added to the Group's Port Hedland port capacity at Utah Point.

Employees

The Group employed 172 employees as at 30 June 2011 (2010: 108 employees).

Directors' Report continued

OPERATING AND FINANCIAL REVIEW

Finance Review

The operating profit of the Group before income tax for the year ended 30 June 2011 amounted to \$183,173,000 (loss 2010: \$40,846,000).

Iron ore prices strengthened over the year however operating performance was impacted adversely by the continued strengthening of the Australian dollar. The Group shipped a record 4.6 million tonnes (2010: 1.2 million tonnes) of ore in the year generating sales revenue of \$584,908,000 and (2010: \$84,769,000). Operational costs in the year totalled \$315,223,000 (2010: \$90,584,000).

Exploration and evaluation expenses totalling \$35,216,000 were written off as incurred in accordance with the Group's accounting policy. The exploration and evaluation costs include discovery costs for the North Pilbara Projects, Wodgina, Abydos and Mt Webber, and progression of feasibility studies to underpin the Group's planned expansion.

Significant corporate costs were incurred during the period resulting from the acquisition of Aurox Resources Limited. Acquisition-related costs expensed during the period totalled \$4,922,000.

Other significant items included in the operating profit is a net loss of \$6,493,000 due to the revaluation of listed financial assets at balance date. The Group has also recognised \$200,609,000 of accumulated tax losses this year to reduce its income tax payable to nil.

Operating Results for the Year

Summarised operating results are as follows:

	2011	
	Revenues \$'000	Profit before tax \$'000
<i>Geographic segment</i>		
Australia	584,908	183,173
Revenues and profit before income tax expense	584,908	183,173

Shareholder Returns

	2011	2010	2009	2008	2007
Profit /(loss) attributable to owners of the company	168,617	(40,846)	(63,144)	(38,342)	(16,468)
Basic profit /(loss) per share (cents)	26.7	(9.6)	(21.3)	(17.9)	(13.9)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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. Through a Scheme of Arrangement, the Company issued 66,235,000 fully paid ordinary shares at the closing price (\$2.16 per share) for total consideration of \$143,068,000.

Control was also obtained of Giralia Resources NL ("Giralia") an iron ore explorer. Control was obtained on 14 February 2011, by the Company obtaining 58% of the share capital of Giralia, with the transaction completing on 5 April 2011 (100%). In consideration the Company issued 273,150,909 fully paid ordinary shares and paid \$4,343,000 in cash.

No other significant changes in the state of affairs of the Group occurred during the financial year other than as discussed in the financial report and elsewhere in this directors' report.

Directors' Report continued

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following matters have arisen since 30 June 2011, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years:

Takeover bid for FerrAus Limited

On 27 June 2011, the Group agreed to make an off-market takeover bid ("Takeover Offer") of FerrAus Limited ("FerrAus"). The directors of FerrAus have recommended that FerrAus shareholders accept the Takeover Offer. The Group and FerrAus have entered into agreements under which:

- The Group has agreed to subscribe for 37,439,785 FerrAus shares at an issue price of \$0.65 per FerrAus share;
- FerrAus has agreed to purchase certain iron ore tenements in the South East Pilbara from Warwick Resources Pty Limited and Giralia Resources NL, both of whom are wholly owned subsidiaries of the Group, in consideration for the issue of 121,846,154 FerrAus shares with a deemed issue price of \$0.65 per FerrAus share to the Group; and
- The Group agreed to make an off-market takeover bid for 100% of FerrAus shares on the basis of one Atlas share for every four FerrAus shares.

The directors of FerrAus have recommended that FerrAus shareholders accept the Takeover Offer. The Group expects to open the offer early in September 2011.

Formation of strategic alliance with Centaurus

On 27 July 2011, the Group agreed to acquire a strategic stake of 19.9% in Centaurus Metals Limited ("Centaurus"), an emerging Brazilian iron ore explorer and developer, as part of a wide-ranging strategic alliance which includes the provision of technical, development and product marketing support by the Group. The Group has entered into a subscription agreement with Centaurus under which the Group will subscribe for 212 million Centaurus shares at an issue price of \$0.088 per share, via two tranches for a total consideration of \$18,700,000. The Group will also receive 30 million Centaurus options.

Global Advanced Metals Limited

In May 2011 the Group entered into a long term infrastructure agreement with GAM, the owners of the infrastructure at the Wodgina tantalum mine site, for the long-term sharing of infrastructure at the Wodgina mine site. The agreement provides increased crushing and screen capacity at Wodgina for six years with options to extend for up to 6 years. On 12 August 2011 the Group paid \$23.1 million to Global Advanced Metals ("GAM") to facilitate the expansion of the Wodgina crushing facility.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the coming year, the Group plans to continue operations at its Pardoo and Wodgina DSO Projects. The Group will also progress exploration, evaluation and development activities and feasibility studies on its Mt Webber, Abydos and McPhee Creek Projects. The Group is seeking investors for a share in its three magnetite projects.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

Directors' Report continued

SHARE OPTIONS

Unissued shares under options

At the date of this report the following unissued ordinary shares under option are outstanding:

	Weighted average exercise price	Number of options
Balance at the beginning of the period	\$1.39	25,618,000
Share options granted during the period		
Options granted	\$2.83	11,520,000
Options exercised	\$0.74	(10,853,000)
Options expired	<u>\$4.20</u>	<u>(2,720,000)</u>
Total number of options outstanding as at 30 June 2011	\$2.07	23,565,000
Granted subsequent to balance date	-	-
Options exercised	\$0.65	(1,175,000)
Options cancelled/ lapsed	-	-
Total number of options outstanding at the date of this report	\$2.07	22,390,000

The balance is comprised of the following:

UNLISTED OPTIONS	Number	Class (Expiry date, exercise price and vesting status)
75,000		21/03/12 70 cent options all vested
2,500,000		31/03/12 72 cent performance options all vested
1,300,000		28/02/12 70 cent unlisted options all vested
1,400,000		31/05/12 60 cent performance options all vested
25,000		16/07/12 \$1.06 options all vested
75,000		30/09/12 \$2.20 options all vested
75,000		30/09/12 \$2.50 options all vested
50,000		30/09/12 \$1.60 options all vested
25,000		30/09/12 \$1.40 options all vested
25,000		30/09/12 \$1.50 options all vested
400,000		30/09/12 \$1.50 options all vested
150,000		30/09/12 \$3.00 options all vested
150,000		30/09/12 \$3.35 options all vested
125,000		30/09/12 \$2.50 options all vested
125,000		30/09/12 \$2.85 options all vested
120,000		30/09/12 \$2.50 performance options all vested
65,000		30/09/12 \$2.55 options all vested
25,000		30/09/12 \$2.85 options all vested
500,000		20/08/12 \$2.46 options all vested
50,000		30/09/12 \$2.25 options all vested
25,000		30/09/12 \$2.55 options all vested
75,000		30/09/12 \$1.90 options all vested
75,000		30/09/12 \$2.15 options all vested

Directors' Report continued

UNLISTED OPTIONS	Number	Class (Expiry date, exercise price and vesting status)
	100,000	30/09/12 \$1.90 performance options all vested
	60,000	30/09/12 \$2.45 options all vested
	135,000	30/09/12 \$2.75 options all vested
	75,000	30/09/12 \$2.45 performance options all vested.
	25,000	30/09/12 \$2.50 options all vested
	25,000	30/09/12 \$2.85 options all vested
	35,000	30/09/12 \$2.30 options all vested
	35,000	30/09/12 \$2.65 options all vested
	40,000	31/03/13 \$2.45 options all vested
	40,000	31/03/13 \$2.75 options all vested
	15,000	31/03/13 \$2.10 options all vested
	15,000	31/03/13 \$2.40 options all vested
	50,000	31/03/13 \$2.15 options all vested
	50,000	31/03/13 \$2.45 options all vested
	50,000	31/03/13 \$2.65 options all vested
	50,000	31/03/13 \$3.00 options all vested
	25,000	30/06/13 \$4.35 options all vested
	25,000	30/06/13 \$4.95 options all vested
	90,000	30/06/13 \$4.45 options all vested
	40,000	30/06/13 \$5.00 options all vested
	40,000	30/06/13 \$4.25 options all vested
	40,000	30/06/13 \$4.80 options all vested
	125,000	30/06/13 \$4.08 options all vested
	125,000	30/06/13 \$4.62 options all vested
	30,000	30/09/12 \$2.55 options all vested
	30,000	30/09/12 \$2.85 options all vested
	50,000	30/06/13 \$2.35 options all vested
	25,000	30/06/13 \$2.30 options all vested
	25,000	30/06/13 \$2.60 options all vested
	350,000	30/09/13 \$1.65 options all vested
	350,000	30/09/13 \$1.85 options all vested
	15,000	30/09/13 \$2.00 options all vested
	25,000	30/12/13 \$1.20 options all vested
	100,000	30/12/13 \$1.30 options all vested
	50,000	30/12/13 \$1.35 options all vested
	50,000	30/12/13 \$1.50 options all vested
	15,000	30/12/13 \$1.50 options all vested
	15,000	30/12/13 \$1.70 options all vested
	200,000	30/06/14 \$2.30 options all vested
	200,000	30/06/14 \$2.60 options all vested
	50,000	31/12/14 \$2.50 options all vested
	50,000	31/12/14 \$2.80 options vesting 19/01/12
	15,000	31/03/15 \$2.25 options all vested
	15,000	31/03/15 \$2.55 options vesting 24/05/12
	40,000	31/03/15 \$2.75 options all vested
	40,000	31/03/15 \$3.10 options vesting 10/05/12
	25,000	31/03/15 \$2.25 options all vested
	25,000	31/03/15 \$2.55 options vesting 8/06/12
	15,000	31/03/15 \$2.65 options all vested
	15,000	31/03/15 \$3.00 options vesting 21/06/12
	25,000	31/03/15 \$2.25 options all vested
	25,000	31/03/15 \$2.05 options all vested
	25,000	31/03/15 \$2.30 options vesting 25/05/12
	40,000	31/03/15 \$2.45 options all vested
	40,000	31/03/15 \$2.75 options vesting 17/05/12
	25,000	31/03/15 \$2.80 options all vested

Directors' Report continued

UNLISTED OPTIONS Number	Class
30,000	31/03/15 \$2.70 options all vested
30,000	31/03/15 \$3.05 options vesting 22/03/12
30,000	31/03/15 \$2.80 options all vested
25,000	31/03/15 \$2.65 options all vested
25,000	31/03/15 \$3.00 options vesting 9/03/12
75,000	31/03/15 \$2.70 options all vested
75,000	31/03/15 \$3.05 options vesting 3/05/12
75,000	31/03/15 \$2.70 options all vested
75,000	31/03/15 \$3.05 options vesting 3/05/12
250,000	31/12/14 \$2.10 options all vested
250,000	31/12/14 \$2.35 options vesting 1/02/12
50,000	31/12/14 \$2.10 options all vested
50,000	31/12/14 \$2.35 options vesting 1/02/12
50,000	31/12/14 \$2.25 options all vested
50,000	31/12/14 \$2.55 options vesting 4/01/12
30,000	31/12/14 \$2.25 options all vested
30,000	31/12/14 \$2.55 options vesting 4/01/12
30,000	31/12/14 \$2.25 options all vested
30,000	31/12/14 \$2.55 options vesting 5/01/12
15,000	31/12/14 \$2.45 options all vested
15,000	31/12/14 \$2.80 options vesting 20/01/12
50,000	31/12/14 \$2.70 options all vested
50,000	31/12/14 \$3.05 options vesting 15/01/12
15,000	30/09/14 \$2.45 options vesting 16/11/11
75,000	30/09/14 \$2.40 options vesting 26/10/11
30,000	30/09/14 \$2.10 options all vested
30,000	30/09/14 \$2.40 options vesting 19/10/11
4,500,000	30/06/15 \$2.873 options all vested
4,400,000	30/06/15 \$2.80 options all vested
50,000	30/09/14 \$2.25 options vesting 2/11/11
25,000	30/09/14 \$2.20 options all vested
25,000	30/09/14 \$2.50 options vesting 24/11/11
50,000	30/09/14 \$2.20 options all vested
50,000	30/09/14 \$2.45 options vesting 7/12/11
25,000	31/12/14 \$2.25 options all vested
30,000	31/12/14 \$2.85 options all vested
30,000	1/12/14 \$3.20 options vesting 12/03/12
40,000	31/12/14 \$2.30 options all vested
40,000	31/12/14 \$2.65 options vesting 27/02/12
25,000	31/03/15 \$3.25 options all vested
25,000	31/03/15 \$3.70 options vesting 20/04/12
25,000	31/03/15 \$2.80 options all vested
25,000	31/03/15 \$3.15 option all vesting 24/03/12
30,000	31/03/15 \$2.60 options all vested
30,000	31/03/15 \$2.95 option vesting 11/05/12
25,000	31/03/15 \$2.25 options all vested
25,000	31/03/2015 \$2.55 options vesting 14/06/12
25,000	31/03/15 \$2.35 options all vested
25,000	31/03/15 \$2.65 options vesting 27/05/12
40,000	31/03/15 \$3.15 option all vested
40,000	31/03/15 \$3.60 option all vested
25,000	30/06/15 \$2.35 options vesting all vested
25,000	30/06/15 \$2.70 options vesting 26/07/12
50,000	30/06/15 \$2.55 options vesting all vested
50,000	30/06/15 \$2.85 options vesting 16/08/12

Directors' Report continued

UNLISTED OPTIONS	Class
Number	
30,000	30/06/15 \$2.45 options all vested
30,000	30/06/15 \$2.80 options vesting 30/08/12
100,000	31/12/15 \$4.20 options all vested
25,000	31/03/15 \$3.40 options all vested
25,000	31/03/15 \$3.85 options vesting 31/03/12
30,000	31/03/15 \$2.80 options all vested
30,000	31/03/15 \$3.20 options vesting 31/03/12
40,000	31/12/14 \$2.35 options all vested
40,000	31/12/14 \$2.70 options vesting 15/02/12
<hr/> <u>22,390,000</u>	

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group, the Group secretaries and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The amount of the premium paid was \$190,920. The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report continued

INTRODUCTION FROM THE REMUNERATION COMMITTEE (Unaudited)

Your directors are pleased to present to you the 2011 Atlas Iron Limited Remuneration Report.

This financial year has seen the Group succeed in many ways - production to target levels, reduced cash costs as targeted, additions to the Group through acquisition of Aurox Resources Limited and Giralia Resources NL, and maintenance of a strong cash position. The Group is now part of the S&P/ASX 100 index.

The Remuneration Committee believes that remuneration for the Group's executives and staff must be structured in such a way as to continue to meet the goals of the shareholders, the Company, and its employees.

For this reason the Group has followed carefully changes to Australian and international policies in the wake of the global financial crisis, and has taken note of recommendations of professional bodies, shareholders and the Australian Corporations and Markets Advisory Committee with respect to remuneration of Executives and Directors.

While the Group has applied the remuneration practices outlined in the Remuneration Report during the year, we have undertaken significant work with independent Remuneration Consultants to redesign some of the components of how we will reward our team going forward. Your Board and Remuneration Committee is giving careful consideration to the required elements of a "best practice" remuneration programme.

The proposed changes will incorporate changes to the components of Long Term Incentives (LTIs), more closely aligning the outcomes to performance matrices for some or all Key Management Personnel (KMP). We believe this will help the Group to achieve its longer term goals and, in turn, provide greater shareholder wealth. As a result, your Board has decided to suspend the operation of the current Employee Share Option Plan that was approved by shareholders in August 2010.

The proposed LTIs will rely on measures such as Total Shareholder Return and internal strategic objectives such as Iron Ore production targets over a minimum period of three years.

Use of remuneration structures linked to Group long term performance can be complex. However, our intention is to complete this redesign process early in the new financial year, for immediate implementation. The LTIs will be incorporated into a proposed LTI plan (LTIP).

Your Board plans to seek shareholder approval for this new LTIP at the Group's Annual General Meeting in November 2011.

Remuneration Committee

The Remuneration Committee meets at least twice each year and as required. The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and directors themselves of the Group and the other executives of the Group based on recommendations received from remuneration consultants. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. The Remuneration Committee was established in 2009.

The Remuneration Committee met twice during the year. The members of the Remuneration Committee during the year, and at the date of this report, were:

- David Hannon (Chairman) – Independent Non-Executive
- Geoff Clifford – Independent Non-Executive – resigned effective 31 July 2011
- David Smith – Independent Non-Executive

Following the resignation of Geoff Clifford the Board is looking to appoint another independent non-executive director to the Remuneration Committee.

Directors' Report continued

REMUNERATION REPORT (audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Group.

Non-Executive Director Remuneration Policy

The key principle underpinning non-executive director remuneration is the need to attract skilled and experienced directors to direct the current business and into the future. The Board's policy is to periodically review its approach to non-executive director remuneration and seek independent advice to ensure its non-executive directors' fees remain competitive with other similarly sized mining production companies listed on the ASX. The Board also periodically reviews its policies to ensure these are in line with best practice and follow principles of good corporate governance. The Board has decided to increase non-executive directors fees effective 1 July 2011 to reflect the Group's growing production profile and the Group's entry into the S&P/ASX 100 index. The next fee review will take in August 2012.

To preserve the independence and impartiality of the non-executive directors, effective 1 July 2011, no element of non-executive directors' remuneration will be linked to the performance of the Group. However, to create alignment with shareholders non-executive directors are encouraged to hold equity securities in the Group. At the date of this report all non-executive directors hold equity securities in the Group. All directors are subject to the Group's "Guidelines for Dealing in Securities".

The Group makes superannuation contributions on behalf of the non-executive directors in accordance with its statutory superannuation obligations, and each director may sacrifice part of their fee for a further superannuation contribution by the Group.

Non-executive director fees

Total fees, are set within the maximum aggregate amount approved by shareholders at the August 2010 General Meeting, being in aggregate \$1,000,000. Currently non-executive directors do not receive additional committee fees or other payments for additional services outside the scope of Board and committee duties.

In addition to these fees, non-executive directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders, or while engaged on the Group's business. Non-executive directors are not entitled to compensation or retirement benefits on termination of their directorships.

Board fees are not paid to the Managing Director, as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of his normal employment conditions. The total remuneration paid to, or in respect of, each non-executive director during the year is set out in this report.

Executives

The executive remuneration policy and structure discussed in this report applies to all of the Group's senior executives. The specific remuneration disclosures in this report are provided for the following executives:

- David Flanagan, Managing Director and Chief Executive Officer
- Mark Hancock, Chief Commercial Officer
- Ken Brinsden, Chief Operating Officer
- Anthony Walsh, Group Secretary
- John McMath, General Manager Infrastructure Strategy

In this report the term Executive Director refers to the Managing Director and Chief Executive Officer.

Effective from 1 July 2011, Jeremy Sinclair was promoted to the role of Chief Operating Officer and Ken Brinsden was appointed as Chief Development Officer.

Directors' Report continued

Executive Remuneration policy

The Group's Remuneration Policy aims to reward executives fairly and responsibly in accordance with the Australian market and ensure that the Group:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia and, for certain roles, internationally;
- benchmarks remuneration against appropriate comparator groups, generally targeting between the 50th and 75th percentile;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to advice from external remuneration consultants, individual and business performance relevant comparative information and expert advice from both internal and independent external sources.

Executive remuneration and Group performance

Short Term Incentive Program

The Remuneration Committee aims to strengthen the link between executive remuneration and the Group's performance. In light of the Group's development from a mining exploration Group to an iron ore producer, the Short Term Incentive Program (STIP) is linked to financial and non-financial performance measures that is aimed at aligning remuneration with shareholder wealth.

The STIP is determined by the outcome of the performance scorecard (Scorecard), approved annually by the Board. The 2010/2011 Scorecard was based on seven measures:

- health, safety and environment (TRIFR in line with industry acceptable frequency rates);
- safety audit outcomes (independent audit against Australian Standard AS4801) ;
- production targets in line with disclosure to the market;
- production rate by 31 December 2010 in line with disclosure to the market;
- reserve growth targets in line with disclosure to the market;
- operating expenditure targets per tonne in line with disclosure to the market; and
- the Group's one year total return to shareholders, ranked within a peer group of ASX listed iron ore producers and developers, based on the growth in the value of shares over the performance year, less new equity subscribed.

These seven corporate measures were chosen by the Remuneration Committee and Board because each measure is in line with the short term corporate objectives of the Group disclosed to the market, recognising that best practice suggests that the number of corporate measures be limited in number.

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has regard to the following indices in respect of the current financial year and the previous four financial years.

	2011	2010	2009	2008	2007
Profit /(loss) attributable to owners of the company	168,617	(40,846)	(63,144)	(38,342)	(16,468)
Change in share price	1.69	0.46	(2.04)	2.26	0.91

Long-term incentive

Key management personnel were issued incentive options over ordinary shares for no consideration under the now suspended Employee Share Option Plan (ESOP). The now suspended ESOP's rules provide that the Board, or its delegate, may invite employees to participate in the ESOP. The number of options issued, vesting conditions and exercise price are determined by the Board. During the financial year ending 30 June 2011 the options were issued at a premium of 30% of the share price at grant date and vesting periods ranging from immediate to two years.

Directors' Report continued

Long Term Incentive Program

As set out in the Introduction to the Remuneration Report, while the Group has applied the remuneration practices outlined in the Remuneration Report during the year. The Group has undertaken significant work with independent Remuneration Consultants to redesign some of the components of how the Group will reward its team going forward. Your Board and Remuneration Committee is giving careful consideration to the required elements of a "best practice" remuneration programme. The proposed changes will incorporate changes to the components of Long Term Incentives (LTIs), more closely aligning the outcomes to performance matrices for all Key Management Personnel (KMP). Your Board and Remuneration Committee believe this will help the Group to achieve its longer term goals and in turn provide greater shareholder wealth. As a result, your Board has decided to suspend the operation of the current Employee Share Option Plan that was approved by shareholders in August 2010. The proposed LTIs will rely on measures such as Total Shareholder Return and internal strategic objectives such as iron ore production targets over a minimum period of three years.

The Board and Remuneration Committee intends is to complete this redesign process early in the new financial year, for immediate implementation. The Board plans to seek shareholder approval for this new LTIP at the Group's Annual General Meeting in November 2011.

Remuneration structure

The Group's remuneration structure during financial year ending 30 June 2011 for executives had two components:

- Fixed Annual Remuneration - the 'not at risk' component (unrelated to performance) which includes base salary, superannuation contribution and other allowances. This fixed remuneration is determined on the basis of the scope of the executive's role, advice from external remuneration consultants and the individual level of knowledge, skill and experience.
- Variable Annual Remuneration – as mentioned above, in light of the Group's development from a 1Mtpa iron ore producer to a 6Mtpa iron ore producer, during the year the Board set STIP targets appropriate for this evolution to a medium sized iron ore producer. The STIP is determined by the outcome of the performance scorecard (Scorecard), approved by the Board. The Scorecard this year was based on seven measures as outlined earlier in the Short Term Incentive Program section of this report. During the year, following shareholder approval in August 2010, senior employees were issued options under the Employee Share Option Plan. As mentioned in the Long Term Incentives section of this report, the Board and Remuneration Committee is proposing that future Long Term Incentives (LTIs) will be incorporated into a proposed LTI plan (LTIP) where the proposed LTIs will rely on measures such as Total Shareholder Return and internal strategic objectives such as Iron Ore production targets over a minimum period of three years. The Board believes that the proposed Long Term Incentive Plan will be an integral part of The Group' overall approach to performance-based remuneration. This would be the 'at risk' component (related to performance) which includes a short term incentive (STI) and a long term incentive (LTI).

The remuneration policy of the Group has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive director and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- The executive director and other senior executives receive a superannuation guarantee contribution required by the government (currently 9%) and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares are not given to directors and executives as part of their remuneration. Options are valued using the Black-Scholes model.

Directors' Report continued

Employment contracts of key management personnel

Key Management Personnel (KMP) encompasses all directors (executive and non-executive) as well as those executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The agreements relating to remuneration are set out below:

David Flanagan, Managing Director and Chief Executive Officer:

- Term of agreement – commencing 25 September 2008 with indefinite duration. Three months notice of resignation to be provided by Mr Flanagan.
- Base salary, inclusive of superannuation, of \$981,000 to be reviewed annually.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the final 12 months total annual remuneration paid to Mr Flanagan.

Ken Brinsden, Chief Operating Officer, agreement amended 15 January 2009:

- Term of agreement – indefinite with 4 weeks notice of termination required by either party other than in the event of redundancy where termination obligation is the greater of 6 months salary or 4 weeks per year of service.
- Base salary of \$380,000 inclusive of superannuation.

Mark Hancock, Chief Commercial Officer, agreement amended 15 January 2009:

- Term of agreement – indefinite with 4 weeks notice of termination required by either party other than in the event of redundancy where termination obligation is the greater of 6 months salary or 4 weeks per year of service.
- Base salary of \$370,000 inclusive of superannuation.

Anthony Walsh, Company Secretary:

- Term of agreement – indefinite with 4 weeks notice of termination required by either party other than in the event of redundancy where termination obligation is the greater of 6 months salary or 4 weeks per year of service.
- Base salary of \$315,000 inclusive of superannuation.

John McMath, General Manager Infrastructure Strategy,

- Term of agreement – indefinite with 4 weeks notice of termination required by either party other than in the event of redundancy where termination obligation is the greater of 6 months salary or 4 weeks per year of service.
- Base salary of \$354,999 inclusive of superannuation.

Retirement Benefits

Other retirement benefits may be provided directly by the Group if approved by shareholders.

Directors' Report continued

Short-term employee benefits				Post-employment benefits			Long-term benefits	Share-based payments	Total	% of Remuneration share-based	% of Remuneration performance based
Salary & fees	STIP	Short-term compensated absences	Other	Superannuation	Termination benefits	Long service leave	Options				
Directors											
Non-executive directors											
Geoff Clifford (Chairperson)											
2011	160,550	-	-	13,637	14,450	-	-	866,522	1,055,159	82	-
2010	146,789	-	-	6,549	13,211	-	-	-	166,549	-	-
David Hannon											
2011	80,275	-	-	13,637	7,225	-	-	433,261	534,398	81	-
2010	73,394	-	-	6,549	6,605	-	-	-	86,548	-	-
David Smith											
2011	80,275	-	-	13,637	7,225	-	-	866,522	967,659	90	-
2010	41,612	-	-	6,549	6,000	-	-	-	54,161	-	-
Tai Sook Yee*											
2011	87,500	-	-	13,637	-	-	-	433,261	534,398	81	-
2010	6,667	-	-	546	-	-	-	-	7,213	-	-
Jyn Sim Baker* (Resigned 2 June 2010)											
2011	-	-	-	-	-	-	-	-	-	-	-
2010	73,333	-	-	6,003	-	-	-	-	79,336	-	-
Executive director, Managing director & Chief Executive Officer											
David Flanagan											
2011	900,000	148,000	73,402	13,637	94,320	-	29,714	2,166,304	3,425,377	63	4
2010	750,000	256,250	(5,775)	6,549	92,813	-	16,962	-	1,116,799	-	23
Executives											
Anthony Walsh (Company Secretary)											
2011	288,991	59,798	15,962	13,637	31,391	-	1,362	429,476	840,617	51	7
2010	275,229	48,165	17,860	6,549	29,105	-	-	82,999	459,907	18	10
Ken Brinsden (Chief Operating Officer)											
2011	348,624	69,725	(1,846)	13,637	37,651	-	7,033	644,213	1,119,037	58	6
2010	321,101	56,193	20,671	6,549	33,956	-	3,565	94,648	536,683	18	11
Mark Hancock (Chief Commercial Officer)											
2011	339,450	69,890	11,527	13,637	36,834	-	4,220	644,535	1,120,093	58	6
2010	302,752	52,982	12,633	6,549	32,016	-	749	94,648	502,329	19	11
John McMath (General Manager Infrastructure Strategy, commenced on 1 February 2010)											
2011	325,688	67,138	(98)	13,637	35,354	-	-	320,750	762,469	42	-
2010	133,333	-	12,356	2,729	12,000	-	-	133,675	294,093	45	-
Jeremy Sinclair (General Manager Operations)**											
2011	274,263	73,400	19,407	53,231	34,853	-	1,471	294,866	751,491	39	10
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total											
2011	2,885,616	487,951	118,354	175,964	299,303	-	43,800	7,099,710	11,100,698	64	4
2010	2,124,210	413,590	57,745	55,121	225,706	-	21,276	405,970	3,303,618	16	12

Superannuation is paid on salaries, fees and STIP.

* Fees are paid to IMC Australia Pty Ltd.

** Included as part of the five most highly remunerated executives.

Directors' Report continued

Performance income as a proportion of total compensation

Details of the Group's policy in relation to the proportion of remuneration that performance related are discussed on page 67. Details of the vested cash bonus awarded as remuneration to each of the key management personnel are detailed below.

	Included in remuneration	% vested in year	% forfeited in the year
Executives			
David Flanagan	\$148,000	100%	-
Anthony Walsh	\$59,798	100%	-
Ken Brinsden	\$69,725	100%	-
Mark Hancock	\$69,890	100%	-
John McMath	\$67,138	100%	-

Equity Instruments

All options refer to options over ordinary shares of Atlas Iron Limited, which are exercisable on a one-for-one basis under the Atlas Iron Employee Share Option Plan.

Options over equity instruments granted as compensation

Details of options over ordinary shares in Atlas Iron Limited that were granted during the year as compensation to directors, executives and key management personnel is detailed below:

	Grant date	No of options granted during 2011	Vesting date	Fair value at grant date (A)	Exercise price per option	Expiry date	Number of options vested during 2011
Directors							
Geoff Clifford	16/08/2010	1,000,000	16/08/2010	866,522	2.87	30/06/2015	1,000,000
David Flanagan	16/08/2010	2,500,000	16/08/2010	2,166,304	2.87	30/06/2015	2,500,000
David Hannon	16/08/2010	500,000	16/08/2010	433,261	2.87	30/06/2015	500,000
David Smith	16/08/2010	1,000,000	16/08/2010	866,522	2.87	30/06/2015	1,000,000
Tai Sook Yee	16/08/2010	500,000	16/08/2010	433,261	2.87	30/06/2015	500,000
Executives							
Anthony Walsh	6/09/2010	500,000	6/09/2010	429,476	2.80	30/06/2015	500,000
Ken Brinsden	6/09/2010	750,000	6/09/2010	644,213	2.80	30/06/2015	750,000
Mark Hancock	5/09/2010	750,000	5/09/2010	644,535	2.80	30/06/2015	750,000
John McMath	6/09/2010	100,000	6/09/2010	85,895	2.80	30/06/2015	350,000
Jeremy Sinclair	7/09/2010	350,000	7/09/2010	294,866	2.80	30/06/2015	350,000

* (A) : The value of options granted during the year is the fair value of the options calculated at grant date using a Black Scholes pricing model. The total is allocated to remuneration over the vesting period.

The options were provided at no cost to the recipients. Valuation assumptions are disclosed in note 6 of the financial statements.

All options expire on the earlier of their expiry date or one month after the termination of the individual's employment.

Modification of terms of equity settled share-based transactions

No terms of options over ordinary shares in Atlas Iron Limited have been altered or modified by the issuing entity during the year or the prior year.

Directors' Report continued

Board policy in relation to hedging unvested equity

The Board limits employees from entering into transactions that limit the economic risk of participating in unvested employee entitlements. Each ESOP option is personal to the Holder and is not transferable, transmissible, assignable or chargeable without permission of the Board. Without prior approval, Directors and key management personnel should not enter into agreements that provide lenders with rights over their interests in the Company's shares and options such as the disposal of the Company's shares or options that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement. Before entering into such arrangements, directors and senior management must receive clearance from the Board.

Exercise of options granted as compensation

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares	Amount paid per share \$
Directors		
Geoff Clifford	1,000,000	2.87
David Flanagan	1,000,000	0.20
David Flanagan	2,500,000	0.40
David Flanagan	2,500,000	0.30
David Hannon	500,000	0.30
David Hannon	500,000	0.40
Executives		
Ken Brinsden	100,000	0.60
Ken Brinsden	100,000	0.70
Ken Brinsden	150,000	0.50
Mark Hancock	300,000	0.50
Mark Hancock	150,000	0.70

There were no amounts unpaid on the shares issued as a result of the exercise of the options in the 2011 financial year.

Analysis of options granted as compensation

Details of vesting profiles of the options granted as remuneration to each of the Group executives and key management personnel in detailed below:

	No of options - granted in the year	Grant date	Vested in year %	Forfeited in year %
Directors				
Geoff Clifford	1,000,000	16/08/2010	100%	-
David Flanagan	2,500,000	16/08/2010	100%	-
David Hannon	500,000	16/08/2010	100%	-
David Smith	1,000,000	16/08/2010	100%	-
Tai Sook Yee	500,000	16/08/2010	100%	-
Executives				
Anthony Walsh	500,000	6/09/2010	100%	-
Ken Brinsden	750,000	6/09/2010	100%	-
Mark Hancock	750,000	5/09/2010	100%	-
John McMath	100,000	6/09/2010	100%	-
Jeremy Sinclair	350,000	7/09/2010	100%	-
	7,950,000			

Directors' Report continued

Analysis of movement in options

The movement during the year, by value of options over ordinary shares in Atlas Iron Limited held by each of the directors, executives and key management personnel in detailed below;

	No of options - Granted in the year	Value of options - granted in the year (A)	Value of options exercised in year (B)	Value of options disposed of in year (B)	Value of options lapsed in year
Directors					
Geoff Clifford	1,000,000	866,522	781,384	-	-
David Flanagan	2,500,000	2,166,304	6,441,679	8,391,564	-
David Hannon	500,000	433,261	3,578,263	-	-
David Smith	1,000,000	866,522	-	-	-
Tai Sook Yee	500,000	433,261	-	-	-
Executives					
Anthony Walsh	500,000	429,476	-	-	-
Ken Brinsden	750,000	644,213	-	970,797	-
Mark Hancock	750,000	644,535	678,179	582,805	-
John McMath	100,000	85,895	-	-	-
Jeremy Sinclair	350,000	294,866	-	-	-
	7,950,000	6,864,855	11,479,505	9,945,166	-

A - The value of options granted during the year is the fair value of the options calculated at grant date using a Black Scholes pricing model. The total value of the options granted in the table above. This is allocated to remuneration over the vesting period.

B - The value of options exercised, or disposed of, during the year is calculated as the market price of the shares of the Group calculated as the 5 day VWAP as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Remuneration report ends here.

DIRECTORS' MEETINGS

Attendance of directors' meetings held during the year are set out below:

	Directors Meetings		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
David Flanagan	18	18						
David Hannon	17	18	6	6	2	2	2	2
Geoff Clifford	16	18	5	6	1	2	1	2
David Smith	18	18	6	6	2	2	2	2
Tai Sook Yee	17	18						

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

CORPORATE STRUCTURE

The Group is an Australian listed public Group limited by shares domiciled in Australia. The Group has prepared a consolidated financial report to include entities that it controlled during the financial years as shown in Note 34 to the financial statements.

ROUNDING

The Group is of the kind specified in ASIC class order 98/0100, dated 10 July 1998. In accordance with the class order, amounts in this report and in the financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Directors' Report continued

AUDITOR INDEPENDENCE

The auditor's independence declaration is set out on page 119 and forms part of the Directors' Report for the financial year ended 30 June 2011.

NON-AUDIT SERVICES

The Group's auditor, KPMG, and associated entities, did not provide any non-audit services to the Group during the year ended 30 June 2011.

Signed in accordance with a resolution of the Directors made pursuant to S298(2) of the Corporations Act 2001.



David Flanagan
Managing Director
Perth, 24 August 2011

Consolidated Statement of Comprehensive Income

year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue	2	584,908	84,769
Cost of goods sold	3	(315,223)	(90,584)
Gross profit/(loss)		269,685	(5,815)
Gain on sale of mining properties	4	-	8,037
Recognised gain on investment transferred from reserves	23(f),5(c)	-	10,659
Gain/(loss) on sale of plant, property and equipment		23	(41)
Other income		1,156	90
Depreciation and amortisation expense		(1,665)	(702)
Exploration and evaluation expense		(35,216)	(20,484)
Impairment loss on tenements	19	(1,140)	(3,690)
Impairment loss on tenements on acquisition	5(c)	-	(23,396)
Share-based payment expense	6	(10,415)	(2,436)
Share of loss of associate	15	(5,166)	(2,241)
Share of loss of joint venture	15	(350)	(1,703)
Business combination expense	5(a)	(4,922)	-
Other expenses from ordinary activities	8	(28,040)	(6,084)
Gain/(loss) from operating activities		183,950	(47,806)
Finance income	9	12,548	8,452
Finance expense	9	(13,325)	(1,492)
Net finance (costs)/ income		(777)	6,960
Profit/(loss) before income tax		183,173	(40,846)
Income tax expense	10	(14,556)	-
Profit/(loss) for the year		168,617	(40,846)
Other comprehensive income/(loss)			
Gain on revaluation of financial assets, net of tax		-	9,372
Realised gain on investment transferred out of reserves, net of tax	23(f)	-	(10,659)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		168,617	(42,133)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		168,617	(40,806)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		168,617	(42,133)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents per share)	28	26.7	(9.6)
Diluted earnings/(loss) per share (cents per share)	28	26.1	(9.6)

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents	24(b)	365,599	154,933
Trade and other receivables	12	39,890	19,563
Prepayments	7	13,828	4,860
Financial assets	14	13,425	-
Inventories	13	12,656	14,862
TOTAL CURRENT ASSETS		445,398	194,218
NON-CURRENT ASSETS			
Other receivables	12	6,420	6,119
Prepayments	7	20,455	11,964
Investment in equity accounted investees	15	22,001	2,312
Property, plant and equipment	16	19,364	15,164
Intangibles	17	100,335	3,197
Mine development costs	18	157,963	64,921
Mining tenements capitalised	19	1,120,020	90,746
TOTAL NON-CURRENT ASSETS		1,446,558	194,423
TOTAL ASSETS		1,891,956	388,641
CURRENT LIABILITIES			
Trade and other payables	20	102,657	20,862
Employee benefits	21	1,979	789
Provisions	22	-	979
TOTAL CURRENT LIABILITIES		104,636	22,630
NON-CURRENT LIABILITIES			
Trade and other payables	20	42	-
Employee benefits	21	112	57
Provisions	22	19,728	6,954
Deferred tax liability	10	34,689	-
TOTAL NON-CURRENT LIABILITIES		54,571	7,011
TOTAL LIABILITIES		159,207	29,641
NET ASSETS		1,732,749	359,000
EQUITY			
Share capital	23(a)	1,703,394	508,677
Reserves	23(f)	27,451	17,036
Accumulated profit/ (loss)	23(g)	1,904	(166,713)
TOTAL EQUITY		1,732,749	359,000

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

year ended 30 June 2011

	Attributable to owners of the Group				
	Share capital	Share-based payments reserve	Investment revaluation reserve	Accumulated profit/ (loss)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
BALANCE AT 1 July 2010	508,677	17,036	-	(166,713)	359,000
Total comprehensive income/(loss) for the year					
Profit for the year	-	-	-	168,617	168,617
Total other comprehensive loss	-	-	-	-	-
Total comprehensive income/(loss) for the year, net of tax	-	-	-	168,617	168,617
Contributions by and distributions to owners of the Group					
Issue of ordinary shares related to business combination	143,068	-	-	-	143,068
Issue of ordinary shares	1,052,147	-	-	-	1,052,147
Share issue costs	(498)	-	-	-	(498)
Share-based payments transactions	-	10,415	-	-	10,415
Total contributions by and distributions to owners of the Group	1,194,717	10,415	-	-	1,205,132
BALANCE AT 30 June 2011	1,703,394	27,451	-	1,904	1,732,749
BALANCE AT 1 July 2009	309,897	14,600	1,287	(125,867)	199,917
Total comprehensive loss for the year					
Loss for the year	-	-	-	(40,846)	(40,846)
Total other comprehensive expense	-	-	(1,287)	-	(1,287)
Total comprehensive loss for the year, net of tax	-	-	(1,287)	(40,846)	(42,133)
Contributions by and distributions to owners of the Group					
Issue of ordinary shares	204,528	-	-	-	204,528
Share issue costs	(5,748)	-	-	-	(5,748)
Share-based payments transactions	-	2,436	-	-	2,436
Total contributions by and distributions to owners of the Group	198,780	2,436	-	-	201,216
BALANCE AT 30 June 2010	508,677	17,036	-	(166,713)	359,000

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Cash receipts from customers		556,963	85,496
Payments to suppliers and employees		(310,352)	(89,018)
Interest received		9,005	5,341
R&D refund received		204	-
Income tax refund		375	-
Proceeds from settlement of derivatives		519	-
Payment for security deposits		-	(2,009)
Payments for expenditure on exploration and evaluation activities		(34,024)	(24,867)
Acquisition transaction costs		(1,488)	-
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	24(a)	221,202	(25,057)
CASH FLOWS FROM/ USED IN INVESTING ACTIVITIES			
Proceeds from disposal of mining tenements		-	8,500
Payments for property, plant and equipment		(5,998)	(6,899)
Proceeds from disposal of plant and equipment		28	14
Payments for mine development		(36,880)	(45,621)
Payments for tenements acquired		-	(113)
Payments for interests in equity accounted investees		(24,956)	(4,413)
Purchase of financial assets		(336)	-
Asset acquisition costs		(4,624)	-
Cash paid for acquisition of Giralia		(4,343)	-
Cash taken up on acquisition of Giralia		56,262	-
Cash taken up on acquisition of Aurox		3,048	-
Interest received from loans to associate		270	-
Loan to other entities		(7,670)	(14,256)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(25,199)	(62,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		15,568	127,895
Net share issue costs paid		(339)	(9,431)
NET CASH FLOWS FROM FINANCING ACTIVITIES		15,229	118,464
NET INCREASE IN CASH AND CASH EQUIVALENTS		211,232	30,619
Cash and cash equivalents at 1 July		154,933	124,350
Effect of exchange rate changes on cash and cash equivalents		(566)	(36)
CLOSING CASH AND CASH EQUIVALENTS	24(b)	365,599	154,933

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Atlas Iron Limited is a Group limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited. The consolidated financial statements of Atlas Iron Limited as at and for the year ended 30 June 2011 comprise Atlas Iron Limited and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities. The Group's principal activity is the operation of the Pardoo and Wodgina iron ore mines in the Pilbara in Western Australia.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements were approved by the Board on 24 August 2011.

Separate financial statements for Atlas Iron Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Atlas Iron Limited is included in note 35.

(a) Basis of preparation

Statement of Compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of Atlas Iron Limited complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items measured at fair value:

- financial instruments at fair value through profit or loss;

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group 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 financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Atlas Iron Limited and its subsidiaries as at 30 June 2011.

Subsidiaries are all those entities over which the Group has control. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements all inter Group balances and transactions, income, expenses, unrealised gains/losses and profit and loss resulting from intergroup transactions have been eliminated in full.

Investment in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis from the date joint control or significant influence commences until the date joint control or significant influence ceases.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The cost of investment includes transaction costs. The consolidated financial statements include the Group's share of the profit and loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that

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significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or a joint venture.

The reporting dates of the associate and the Group are identical however the associate's and joint venture's accounting policies have been changed where necessary to align them with the policies used by the Group for like transactions and events in similar circumstances.

(b) Change in accounting policy

There were no changes in accounting policy during the financial year.

Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirements for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 35.

Presentation of transactions recognised in other comprehensive income

From 1 July 2010 the Group has applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The change in accounting policy only relates to disclosures and had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and have no effect on the Group's statements of changes in equity.

Certain comparative amounts have been restated in the Statement of Comprehensive Income to match current years' presentation. These amounts are relatively insignificant.

(c) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Provision for rehabilitation costs

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant & equipment, provision for rehabilitation, and depreciation and amortisation charges.

Units of production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The Group adopts a Run of Mine (ROM) tonnes of ore produced methodology.

Deferred taxation

Deferred income tax assets are only recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

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The key judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

Production start date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include:

- > the level of capital expenditure compared to construction cost estimates;
- > completion of a reasonable period of testing of the mine plant and equipment;
- > ability to process iron ore in saleable form; and
- > ability to sustain ongoing mining and processing of iron ore.

When a mine development project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs related to mining asset additions or improvements, and mineable reserve development, which are capitalised. It is also at this point that depreciation/amortisation commences.

Acquisitions outside of the scope of AASB 3 Business Combinations

Where the Group has acquired control of another entity which principally holds exploration assets, or assets in predevelopment, and that entity has no reserves, the substance of the transaction is reviewed. If the sole purpose of the transaction is to increase the resource base of the Group, and the vehicle containing the assets was of no consequence to the underlying substance of the transaction, the transaction is viewed to be outside of the scope of AASB 3 Business Combinations.

The acquisitions of Warwick Resources Limited and Giralia Resources NL are outside of the scope of AASB 3 Business Combinations as they did not meet the definition of "business" according to that standard. The acquisition of the net assets of these companies, excluding the cash and the financial assets, meets the definition of, and has been accounted for as, a share-based payment transaction for the acquisition of assets.

(d) Business combinations

Business combinations are accounted for using the acquisition method as at the date of acquisition, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Costs relating to the acquisition, other than those associated with the issue of securities, that the Group incurs in connection with a business combination are expensed as incurred.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Land and buildings

Land and Buildings are measured on the cost basis. Land is not depreciated but is subject to impairment (refer (f)).

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed to ensure it is not in excess of the recoverable amount from these assets. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The cost of plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation of plant and equipment is calculated on a straight-line basis so as to write off the net costs of each asset over the expected useful life or the estimated life of the associated mine, if shorter. The rates vary between 5% and 40% per annum.

Depreciation of buildings is calculated on a straight-line basis so as to write off the net costs over the expected useful life. The depreciation rate for buildings is 5% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

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(f) Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Group considers evidence for impairment at the specific asset and collective level of assets with similar risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original interest rate. All impairment losses are recognised in the Statement of Comprehensive Income.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred taxes, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and any intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimate recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss still exists.

(g) Exploration and evaluation costs / mining tenements capitalised

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

(h) Mine and port development costs

Development costs include mine infrastructure, pre-production development costs, development excavation, project execution costs and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment. The definition of an area of interest is the area serviced by a given mining operations centre.

Development costs are carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are to be amortised on a units of production basis over the life of economically recoverable reserves of the area of interest. The Group assesses future capital costs required to bring existing reserves into production and includes an estimate of these costs in the base when calculating amortisation expense.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

Deferred stripping

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences when the strip ratio reaches the life of mine strip ratio. Amortisation of capitalised development stripping costs is determined on a unit of production basis over the life of the mine.

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Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping, (i.e., overburden and other waste removal) of the second and subsequent pits are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore.

Capitalised development stripping costs are classified as 'Development Expenditure'. Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences upon extraction of ore. The costs of production stripping are charged to the statement of comprehensive income as operating costs.

(i) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership transfer to the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

The Group and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Atlas Iron Limited.

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(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Employee benefits

Employee benefits are expensed in the profit or loss and provisions are made for benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave including related on-costs such as superannuation, workers compensation and payroll tax. The Group's superannuation is a defined contribution plan under which fixed contributions are made to a superannuation fund with no further legal or constructive obligation to pay.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits due to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled no further expense is recognised. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes. The majority of the Group's sales agreements specify that title passes when the product is delivered to the destination specified by the customer, which is typically the vessel on which the product will be shipped. In practical terms, revenue is generally recognised on the bill of lading date, which is the date the commodity is delivered to the shipping agent. These sales agreements also allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content); therefore recognition of the sales revenue is based on the most recently determined estimate of product specifications.

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(n) Issued capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit / (loss) attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares (share options granted to employees).

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(q) Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

(r) Inventories

Iron ore stockpiles are physically surveyed or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods.

Materials and supplies are valued at the lower of cost or net realisable value. Any provision of obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(s) Intangible assets

Intangible assets acquired by the Group, such as port access rights, software and licences that have a finite life are recorded at cost or fair value in business combinations less accumulated amortisation or impairment charges. Amortisation is charged over the useful life of the finite asset according to consumption of benefits.

(t) Port access prepayments

Port access prepayments are initially recognised at cost and amortised over the period of the benefits obtained.

(u) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill on initial recognition, refer to note (aa).

(v) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results

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are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(w) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(x) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(y) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

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Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables, including service concession receivables.

(z) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

- (i) AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASM 139 *Financial Instruments: Recognition and Measurement*. AASB will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard
- (ii) AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- (iii) AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.
- (iv) AASB 11 *Joint Arrangements*, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.
- (v) Amended AASB 119 *Employee Benefits*, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(aa) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of current trade and other receivables is the gross consideration receivable given their short-term nature.

(ii) Trade and other payables

Current trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(iii) Financial instruments traded in active markets

The fair value of financial instruments traded in active markets (such as trading for available-for-sale securities) is based on the quoted market closing price at the reporting date.

(iv) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(v) Mining tenements

The fair value of mining tenements acquired through asset purchase or business combinations is estimated using market valuation techniques, as determined by independent valuers. The market valuation techniques are based on discounted cash flows expected to be derived from use of the assets or a market based assessment using prices of comparable assets.

(vi) Other intangibles

The fair value of port access rights, and, mine and port development costs, which were acquired through a business combination, are estimated

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30 June 2011

using market valuation techniques, as determined by independent valuers. The market valuation techniques are based on discounted cash flows expected to be derived from use of the assets. The fair value of other intangible assets (goodwill) is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(vii) Port facility prepayment

The fair value of port facility prepayment is the contribution paid to Port Hedland Port Authority (PHPA).

(viii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees, contractors and other third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 6. For asset acquisitions resulting in issue of shares as consideration, the fair value of shares issued is determined as the fair value of the assets acquired.

	2011 \$'000	2010 \$'000
<hr/>		
2. REVENUE		
Sale of iron ore	584,908	84,769
	<hr/>	<hr/>
	584,908	84,769
<hr/>		
3. COST OF GOODS SOLD		
Mining costs	(98,225)	(31,708)
Haulage	(55,294)	(13,866)
Port costs	(46,140)	(12,108)
Shipping costs	(52,810)	(12,462)
Royalties	(32,766)	(4,292)
Depreciation and amortisation	(29,988)	(16,148)
	<hr/>	<hr/>
	(315,223)	(90,584)
<hr/>		
4. GAIN ON SALE OF MINING PROPERTIES		
Proceeds on sales of tenement	-	8,500
Cost of tenement sold	-	(463)
	<hr/>	<hr/>
	-	8,037
<hr/>		

The gain on sale represents income from the sale of joint venture farm-in: consideration paid to the Group net of related tenement costs.

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5. ACQUISITION OF SUBSIDIARY

(a) 2011 - Business combination – Aurox Resources 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 the closing price (\$2.16 per share) on the day the Group obtained control of Aurox resulting in a total consideration of \$143,068,000.

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

	Fair Value
	\$'000
Cash and cash equivalents	3,048
Port facility prepayment	12,895
Other receivables	1,271
Property, plant and equipment	1,285
Mine development costs	72,856
Mining tenements	10,200
Port access rights	72,064
Trade and other payables	(8,216)
Loans – Atlas Iron Limited	(20,687)
Provisions	(1,648)
Deferred tax liability	(20,133)
Total net identifiable assets	122,935

Consideration	
Equity consideration	143,068
Cash and cash equivalents acquired	(3,048)
Acquisition of subsidiary, net of cash acquired	140,020

Transactions separate from the acquisition

The Group incurred acquisition-related costs of \$4,922,000 relating to stamp duty, advisory fees, external legal fees and due diligence costs which are included in business combination expenses.

In the period of ownership from 13 August 2010 to 30 June 2011 Aurox contributed finance income of \$1,575,000 and a loss of \$3,510,000 to the Group's results. If the acquisition had occurred on 1 July 2010, management estimates that consolidated financing income would have been \$12,561,000 and consolidated profit before income tax for the year would have been \$182,142,000. 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.

Goodwill

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

Total consideration	143,068
Less fair value of identifiable assets	(122,935)
Goodwill	20,133

The goodwill represents the synergies expected to be derived from integrating Aurox into the Atlas Group specifically through increased access to infrastructure and resources. None of the goodwill recognised is expected to be deductible for income tax purposes.

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30 June 2011

5. ACQUISITION OF SUBSIDIARY (CONTINUED)

(b) 2011 – Asset Acquisition – Giralia Resources NL

On 14 February 2011, the Group obtained control by acquiring 58% of the share capital of Giralia Resources NL (“Giralia”), an iron ore explorer. By 5 April 2011 the Company had acquired 100% of the shares and voting interests.

The Group completed a takeover bid of Giralia, where the Group acquired all of the issued securities in Giralia. Pursuant to the Bidder’s Statement issued by the Group, Giralia shareholders received either a) 1.5 Atlas shares for every Giralia share they held or b) 1.33 Atlas shares and \$0.50 for every Giralia share they held. As a result, the Group issued 273,150,909 fully paid ordinary shares at the closing price Atlas shares traded on the day the Group issued shares to the Giralia shareholders, and paid \$4,343,000 in cash.

The transaction is not a business combination as Giralia’s acquired assets did not meet the definition of a business as defined in the Australian Accounting Standards. The substance and intent was for the Group to acquire the exploration and evaluation assets of Giralia for the purpose of expanding the Group’s overall resource base. The acquisition of the net assets of Giralia, excluding the cash and the financial assets, meets the definition of, and has been accounted for as, a share-based payment transaction. The fair values of net assets acquired at the date of acquisition were:

	\$'000
Cash and cash equivalents	56,262
Other receivables	1,034
Income tax receivable	368
Investment in listed entities	19,582
Property, plant & equipment	172
Mining tenements	1,024,431
Trade and other payables	(5,796)
Provisions	(584)
Value of net assets acquired	1,095,469

Consideration	
Equity consideration	1,036,578
Cash consideration	4,343
Stamp duty	49,924
Directly attributable costs	4,624
Total consideration	1,095,469

The Group incurred acquisition-related costs of \$54,548,000 relating to stamp duty, advisory fees, external legal fees and due diligence costs which are included in asset acquisition transaction costs.

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5. ACQUISITION OF SUBSIDIARY (CONTINUED)

(c) 2010 – Asset Acquisition – Warwick Resources Limited (“Warwick”)

On 18 December 2009, the Group obtained control of Warwick Resources Ltd (“Warwick”), an iron ore explorer, by acquiring 100 percent of the shares and voting interests in the Group. 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 acquired all of the issued securities in Warwick. Under the SIA, Warwick shareholders received one Atlas share for every three Warwick shares held. As a result, the Group 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 an additional consideration of \$75,140,000.

The acquisition of Warwick was reassessed by the Board in the current year and it was determined that the acquisition was an asset acquisition, rather than the previously stated business combination as the substance and intent of the transaction was for the Group to acquire the exploration and evaluation assets of Warwick for the purpose of expanding the Group’s overall resource base. The vehicle containing the assets was of no consequence to the underlying substance and intent of the transaction. As a result of the reassessment, previously determined goodwill of \$18,330,000, and business combination transaction costs of \$5,066,000, which had both been expensed to the Consolidated Statement of Comprehensive Income, have been reversed. However, a similar amount of impairment loss on mining tenements acquired has been considered necessary in the 2010 financial statements and has been recognised in the Consolidated Statement of Comprehensive Income. There is no overall impact of this reassessment on profit before tax or on the Consolidated Statement of Financial Position.

The value of net assets acquired at the date of the acquisition were as follows:

	\$'000
Cash and cash equivalents	2,059
Other receivables	776
Property, plant and equipment	74
Mining tenements	93,396
Trade and other payables	(43)
Provisions	(12)
Total net identifiable assets	96,250
Equity consideration	75,140
Fair value of previous consideration in acquiree	16,044
Stamp duty and directly attributable costs	5,066
Total consideration	96,250

The re-measurement to fair value of the Group’s existing interest (approximately 20 percent) in Warwick at the date of the acquisition together with previous recognised increases in fair value at 30 June 2009 resulted in a gain of \$10,659,000, which has been recognised in other income.

An impairment loss of \$23,396,000 has been recognised in the 2010 Consolidated Statement of Comprehensive Income representing the excess of the total consideration over the fair value of the assets acquired, which was determined through market valuations.

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6.SHARE-BASED PAYMENTS

Employee and Contractors Option Plan

The Group provides benefits to its employees (including directors) and contractors 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 exercise price of the options granted during the year range from \$2.00 to \$4.20 per option. The options granted to employees have expiry dates ranging from 30 September 2014 to 30 June 2015, and vesting periods ranging from immediate to two years.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Group with full dividend and voting rights.

Set out below are summaries of the options granted:

	2011	2010	
	Number of options	Weighted average exercise price	Number of options
			Weighted average exercise price
Outstanding at the beginning of the year	25,618,000	1.39	25,305,000
Granted	11,520,000	2.83	3,750,000
Exercised	(10,853,000)	0.74	(2,527,000)
Expired	(2,720,000)	4.20	(910,000)
Outstanding at year-end	23,565,000	2.07	25,618,000
Exercisable at year-end	21,670,000	2.08	22,008,000

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.57 years (2010: 2.5 years), and the exercise prices range from \$0.50 to \$5.00. The weighted average exercise price of shares, at the date of exercising options, was \$3.15 (2010: \$2.25).

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was \$0.91. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs, except for listed options in which case the closing price on the date of issue was used:

	2011	2010
Weighted average exercise price (\$)	2.83	2.53
Weighted average life of the option (years)	4.73	4.89
Weighted average underlying share price (\$)	2.25	2.06
Expected share price volatility (%)	60.00	70.00
Weighted average risk free interest rate (%)	4.48	3.89
Expected dividends	-	-

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Share based payment expense	(10,415)	(2,436)
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30 June 2011

	2011	2010
	\$'000	\$'000
7. PREPAYMENTS		
Current		
Prepayments	3,088	612
Port access prepayments*	<u>10,740</u>	<u>4,248</u>
	<u>13,828</u>	<u>4,860</u>
Non – Current		
Port access prepayments*	<u>20,455</u>	<u>11,964</u>
8. OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Salaries and benefits	(15,098)	(2,568)
Corporate expenses	(3,143)	(2,454)
Consultancy expenses	(4,854)	(45)
Other expenses	<u>(4,945)</u>	<u>(1,019)</u>
	<u>(28,040)</u>	<u>(6,085)</u>
9. NET FINANCE (COSTS)/ INCOME		
Interest income*	12,548	6,779
Effective interest received on interest free loan **	-	466
Net foreign exchange gain	-	1,207
Finance income	<u>12,548</u>	<u>8,452</u>
Initial discount on interest free loan **	-	(1,294)
Interest accretion	(1,258)	(198)
Loss on change to fair value of financial assets	(6,493)	-
Net foreign exchange loss	(5,574)	-
Finance expense	<u>(13,325)</u>	<u>(1,492)</u>
Net finance (costs)/ income	<u>(777)</u>	<u>6,960</u>

* On 10 February 2011 the Group provided a loan of \$7,499,000 (USD 6,200,000 equivalent) to Shaw River Manganese Limited in the form of the issue of 2,053,114 Atlas Iron Limited shares to third parties. The interest bearing loan was repaid by Shaw River Manganese Limited on 22 June 2011. \$270,000 interest was paid by Shaw River Manganese Limited during the life of the loan.

** An interest free loan of \$13,860,000 was provided to Aurox Resources Limited on 19 February 2010 for a year. The loan was provided prior to the Group acquiring Aurox Resources Limited. In the current year, the loan is eliminated on consolidation.

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	2011 \$'000	2010 \$'000
10. INCOME TAX		
The major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustment in respect of current income tax of previous year	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	63,660	(8,743)
Deferred tax assets not previously brought to account but recognised in the year	(49,104)	8,743
Income tax expense reported in the statement of comprehensive income	14,556	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate as follows:		
Accounting profit/(loss) before tax from continuing operations	183,173	(40,846)
Loss before tax from discontinued operations	-	-
Accounting profit/(loss) before income tax	183,173	(40,846)
 At the Group's statutory income tax rate of 30% (2010: 30%)		
Entertainment – non deductible	54,952	(12,254)
Investment allowance	13	15
Non cash benefit	-	(589)
Other non deductible	3,745	896
Loss on fair value adjustment of loan to Aurox	1,675	5,453
Equity accounting for share of loss of associate	-	(249)
Share of equity loss on joint venture	1,550	672
Write-down of investments	105	511
Fair value adjustments	1,947	-
R&D tax concession	-	(3,198)
Deferred tax assets not previously brought to account but recognised in the year	(49,104)	8,743
 Income tax expense reported in the consolidated statement of comprehensive income	14,556	-
Income tax attributable to discontinued operations	-	-
Income tax expense	14,556	-

During the 2011 financial year Giralia Resources NL joined the Atlas Iron Limited tax consolidation group. As a result of this, and subsequent exploration activities carried out since the date of joining the group, the Group may be able to realise significant tax deductions.

The Group is undertaking further work to confirm this position prior to lodgement of the Group's Consolidated Income Tax Return due for Lodgement in 2012.

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10. INCOME TAX (CONTINUED)

	Statement of financial position			
	2010 \$'000	Deferred tax \$'000	Business combination \$'000	2011 \$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
<i>Deferred tax liabilities (DTL)</i>				
Port access rights	-	-	(21,619)	(21,619)
Prepayments	(106)	106	-	-
Accrued income	(428)	(77)	(1)	(506)
Mining tenements capitalised	(20,120)	4,003	-	(16,117)
Mine development costs	(5,513)	(5,802)	-	(11,315)
Other debtors	-	(185)	-	(185)
	(26,167)	(1,955)	(21,620)	(49,742)
DTL offset by DTA	<u>26,167</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred tax assets (DTA)</i>				
Prepayments	33	(33)	-	-
Plant and equipment	64	10	-	74
Payroll liabilities	111	(98)	-	13
Accrued expenses	49	1,104	11	1,164
Provisions	2,207	3,177	45	5,429
Employee benefits – long service leave	17	150	-	167
Employee benefits – annual leave	237	163	35	435
Other – non current liabilities	-	24	-	24
Other – tax assets	3,753	(81)	1,396	5,068
DTA – tax losses recognised	19,696	(17,017)	-	2,679
Gross deferred income tax assets	<u>26,167</u>	<u>(12,601)</u>	<u>1,487</u>	<u>15,053</u>
DTA recognised to offset DTL	<u>(26,167)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax liabilities (DTL)	<u>-</u>	<u>(14,556)</u>	<u>(20,133)</u>	<u>(34,689)</u>
<i>Deferred tax assets (DTA) not recognised on losses</i>	<u>49,104</u>			<u>22,997</u>

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10. INCOME TAX (CONTINUED)

Statement of financial position

	2009 \$'000	Deferred tax	2010 \$'000
Deferred income tax			
Deferred income tax at 30 June relates to the following:			
CONSOLIDATED			
<i>Deferred tax liabilities (DTL)</i>			
Prepayments	-	(106)	(106)
Accrued income	(297)	(131)	(428)
Mining tenements capitalised	(9,202)	(10,918)	(20,120)
Mine development costs	(2,323)	(3,189)	(5,513)
Investments	(386)	386	-
	(12,208)	(13,958)	(26,167)
DTL offset by DTA	12,208		26,167
	-	(13,958)	-
<i>Deferred tax assets (DTA)</i>			
Prepayments	-	33	33
Plant and equipment	4	60	64
Payroll liabilities	51	60	111
Accrued expenses	15	34	49
Provisions	1,078	1,129	2,207
Employee benefits – long service leave	7	10	17
Employee benefits – annual leave	160	76	237
Other – tax assets	-	3,753	3,753
DTA – tax losses recognised	10,893	8,803	19,696
Gross deferred income tax assets	12,208	13,958	26,167
DTA recognised to offset DTL	(12,208)		(26,167)
DTA – not recognised	35,243		49,104

The above disclosures have been prepared based on a tax consolidated group for the year ended 30 June 2011.

The Group has tax losses arising in Australia of \$76,657,000 (2010: \$186,437,000) that are available for offset against future taxable profits of the companies in which losses arose. The availability of these losses is subject to the Group continuing to meet the legislative requirements for the utilisation of the losses.

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11. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial period. On 24 August 2011 the Board resolved to pay a final unfranked dividend of 3 cents per share.

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	\$'000	\$'000
Current		
Trade receivables	24,231	1,297
Goods and Services Tax receivable (net)	7,499	2,030
Interest receivable	3,002	1,321
Loan to other entities	454	13,030
Security deposits*	1,000	1,000
Related party receivables (note 31)	2,742	-
Other receivables	962	885
	39,890	19,563
Non – current		
Security deposits*	6,420	6,119

* The security deposits represent cash backing for exploration and mining bonds, office bonds, bank guarantee and a credit card facility.

13. INVENTORIES

Iron ore at cost	12,656	14,862
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14. FINANCIAL ASSETS

Current

Financial assets classified as held for trading	13,425	-
	13,425	-

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30 June 2011

	2011 \$'000	2010 \$'000
15. INVESTMENT IN EQUITY ACCOUNTED INVESTEE		
Investment in associate	16,249	2,312
Investment in joint venture	5,752	-
	22,001	2,312

Name of Entity	Principal Activity	Ownership Interest	
		2011 %	2010 %
Shaw River Manganese Limited	Mineral Exploration	45.40	45.44
NWIOA Ops Pty Limited	Port Development	39.00*	39.00*

* The Group has an interest of 39.00% in relation to port related expenditure and 33.33% related to administrative expenditure.

Summarised financial information for the Group's associate and joint venture:

Associate:	2011 \$'000	2010 \$'000
Financial Position of Associate		
Total assets	47,875	6,702
Total liabilities	(10,177)	(288)
Net assets	37,698	6,414
Financial Performance of Associate		
Total revenue	500	234
Total loss for the year after tax	(9,762)	(5,049)
Group's share of associate's loss	(5,166)	(2,241)
Group's share of associate's commitments	(1,365)	(669)

Investment in associate is 205,030,405 shares, in Shaw River Manganese Limited. During the year, the Group participated in share placements increasing the investment in associate by \$19,103,000. The market value of this investment at 30 June 2011 was \$32,804,000 (2010: \$12,170,000) based on a share price as at 30 June 2011 of 16 cents.

On 10 February 2011 the Group provided a loan of \$7,499,000 (USD 6,200,000 equivalent) to Shaw River Manganese Limited in the form of the issue of 2,053,000 Atlas Iron Limited shares to third parties. The interest bearing loan was repaid by Shaw River Manganese Limited on 22 June 2011. Interest income on the loan recognised by the group was \$270,000.

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	2011 \$'000	2010 \$'000
15. INVESTMENT IN EQUITY ACCOUNTED INVESTEE (CONTINUED)		
Joint Venture:		
Financial Position of Joint Venture		
Total assets	16,716	1,599
Total liabilities	(3,163)	(1,069)
Net assets	13,553	530
Financial Performance of Joint Venture		
Total revenue	39	2
Total loss for the year after tax excluding contributions	(1,050)	(4,224)
Group's share of joint venture (loss)*	(350)	(1,703)
Group's share of joint venture commitments	(119)	(9)
The Group recognises the joint venture using the equity method of accounting as opposed to proportionate consolidation.		
* In accordance with the Group's accounting policy, share of joint venture loss includes a write-off of development expenditure related to administration. Development expenditure which is directly attributable to the development of the port is capitalised.		
16. PROPERTY, PLANT AND EQUIPMENT		
<i>Property, plant & equipment</i>		
At cost	26,644	18,283
Accumulated depreciation	(7,280)	(3,119)
16(a)	19,364	15,164
(a) Movements in carrying amounts		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
<i>Property</i>		
Carrying amount at beginning	10,715	7,022
Transfers	701	-
Additions		
Buildings	1,357	6,154
Under construction	900	(1,352)
Disposals	(2)	-
Depreciation expense	(1,234)	(1,109)
Carrying amount at end	12,437	10,715
<i>Plant and equipment</i>		
Carrying amount at beginning	4,449	3,257
Transfers	(701)	-
Additions	6,196	2,026
Disposals	(90)	(55)
Depreciation expense	(2,927)	(779)
Carrying amount at end	6,927	4,449
Total	19,364	15,164

Notes continued

30 June 2011

	2011 \$'000	2010 \$'000
17. INTANGIBLES		
Intangibles		
At cost	102,233	3,680
Accumulated depreciation	(1,898)	(483)
	<u>17(a)</u>	<u>100,335</u>
	<u>100,335</u>	<u>3,197</u>
(a) Movements in carrying amounts		
Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year.		
<i>Goodwill</i>		
Carrying amount at beginning	-	-
Additions from business combination (note 5)	<u>20,133</u>	-
Carrying amount at end	<u>20,133</u>	-
For impairment testing, the goodwill is allocated to the Group's singular operating segment. The recoverable amount was based on the value in use, which was determined by discounting future cash flows of the business. No impairment losses were determined.		
<i>Port access rights</i>		
Carrying amount at beginning	3,000	-
Additions	5,868	3,000
Additions from business combination (note 5)	<u>72,064</u>	-
Amortisation expense	(1,088)	-
Carrying amount at end	<u>79,844</u>	3,000
Port development additions comprise payments made regarding the construction of the new berth at Utah Point. The additions from the business combination relate to value of the additional port access rights acquired through the acquisition of Aurox.		
<i>Computer software</i>		
Carrying amount at beginning	197	217
Additions	488	184
Amortisation expense	(327)	(204)
Carrying amount at end	<u>358</u>	197
	<u>100,335</u>	<u>3,197</u>
18. MINE DEVELOPMENT COSTS		
At cost	203,811	83,688
Accumulated amortisation	<u>(45,848)</u>	<u>(18,767)</u>
	<u>157,963</u>	<u>64,921</u>
Mine development cost breakdown:		
Carrying amount at beginning	64,921	25,405
Additions	34,605	50,554
Additions from business combinations (note 5)	72,856	-
Movement in rehabilitation provision	9,339	3,936
Transfers from mining tenements	3,323	943
Amortisation	(27,081)	(15,917)
Carrying amount at end	<u>157,963</u>	<u>64,921</u>

Notes continued

30 June 2011

	2011 \$'000	2010 \$'000
19. MINING TENEMENTS CAPITALISED		
Tenement acquisition costs	1,120,020	90,746
	1,120,020	90,746
Tenement acquisition cost breakdown:		
Carrying amount at beginning	90,746	25,842
Acquisitions (note 5)	1,034,631	93,396
Disposals	(894)	(463)
Transfers to development costs	(3,323)	(943)
Impairment loss on tenements acquired through business combinations (note 5)	-	(23,396)
Impairment loss on tenements	(1,140)	(3,690)
Carrying amount at end	1,120,020	90,746

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.

Mining tenements of \$1,024,431,000 were acquired by the Group on acquisition of Giralia Resources NL on 14 February 2011, refer Note 5.

20. TRADE AND OTHER PAYABLES

Current

Trade payables (1)	751	6,409
Accrued operating expenses	100,531	14,453
Other payables (2)	1,375	-
	102,657	20,862

Non-current

Other payables and accruals(2)	42	-
	42	-

(1) Trade payables are non-interest bearing and are normally settled on a 30-day basis.

(2) Includes finance lease liability of \$109,000 (2010: nil).

21. EMPLOYEE BENEFITS

Current

Employee benefits	1,979	789
	1,979	789

Non-current

Employee benefits	112	57
	112	57

Notes continued

30 June 2011

	2011 \$'000	2010 \$'000
22. PROVISIONS		
Current		
Rehabilitation	-	979
	<hr/>	<hr/>
	-	979
Non-current		
Rehabilitation	17,689	6,377
Office refurbishment	110	-
Demobilisation	829	577
Contract terminations	1,100	-
	<hr/>	<hr/>
	19,728	6,954
 		

Consolidated (\$'000)	Rehabilitation	Contract termination	Demobilisation	Office refurbishment	Total
Balance at beginning of year	7,356	-	577	-	7,933
Assumed in a business combination	138	-	-	-	138
Provisions made during the year	8,937	1,100	252	110	10,399
Unwind of discount	1,258	-	-	-	1,258
Balance at end of year	17,689	1,100	829	110	19,728

Rehabilitation provision

The Group makes provision for the future cost of rehabilitating mine sites on a discounted basis on the development of mines. This provision represents the present value of rehabilitation costs relating to the mine sites, which are expected to be incurred through to the life of mine. These provisions have been determined in conjunction with the work undertaken by external consultants, Mine Earth Pty Ltd. Assumptions, based on the current economic environment, have been made in determining current rehabilitation provisions, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed at each reporting date to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain.

Notes continued

30 June 2011

23. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT (LOSS)

(a) Issued and paid up capital

		2011		2010	
		Number of shares ('000)	\$'000	Number of shares ('000)	\$'000
Ordinary shares fully paid	23(b)	825,966	1,703,394	473,674	508,677
		<u>825,966</u>	<u>1,703,394</u>	<u>473,674</u>	<u>508,677</u>

(b) Movements in ordinary share capital		2011		2010	
		Number of shares ('000)	\$'000	Number of shares ('000)	\$'000
Beginning of the financial year		473,674	508,677	342,830	296,984
Issued during the year:					
- Ordinary shares issued upon exercise of 20c options		1,000	200	125	25
- Ordinary shares issued upon exercise of 25c options		23	6	278	69
- Ordinary shares issued upon exercise of 30c options		3,000	900	-	-
- Ordinary shares issued upon exercise of 40c options		3,000	1,200	-	-
- Ordinary shares issued upon exercise of 50c options		450	225	650	325
- Ordinary shares issued upon exercise of 55c options		-	-	10	6
- Ordinary shares issued upon exercise of 60c options		1,000	600	600	360
- Ordinary shares issued upon exercise of 70c options		700	490	250	175
- Ordinary shares issued upon exercise of 75c options		-	-	150	113
- Ordinary shares issued upon exercise of 80c options		-	-	13,980	11,184
- Ordinary shares issued upon exercise of 90c options		40	36	-	-
- Ordinary shares issued upon exercise of 96c options		-	-	50	48
- Ordinary shares issued upon exercise of \$1.00 options		-	-	25	25
- 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 upon exercise of \$1.15 options		25	29	-	-
- Ordinary shares issued upon exercise of \$1.35 options		-	-	50	67
- Ordinary shares issued upon exercise of \$2.00 options		50	100	200	400
- Ordinary shares issued upon exercise of \$2.15 options		90	194	-	-
- Ordinary shares issued upon exercise of \$2.25 options		-	-	100	225
- Ordinary shares issued upon exercise of \$2.45 options		75	184	-	-
- Ordinary shares issued upon exercise of \$2.80 options		350	980	-	-
- Ordinary shares issued upon exercise of \$2,873 options		1,000	2,873	-	-
- Ordinary shares issued for reimbursement of exploration costs at \$1.78		-	-	70	125
- Ordinary shares issued for cash at \$1.39 (Tranche 1)		-	-	1,986	2,760
- Ordinary shares issued for cash at \$1.39 (Tranche 2)		-	-	33,540	46,620
- Ordinary shares issued for cash at \$1.39 (Share Purchase Plan)		-	-	10,704	14,874
- Ordinary shares issued for convertible note on Warwick shares at \$1.65		-	-	700	1,155
- Ordinary shares issued for acquisition of Warwick Resources Limited		-	-	41,745	75,140
- Ordinary shares issued for cash at \$2.49		-	-	25,500	63,495
- Ordinary shares issued for acquisition of tenement data		-	-	131	250
- Ordinary shares issued for acquisition of Aurox Resources Limited		66,235	143,068	-	-
- Ordinary shares issued for acquisition of Giralia Resources NL		273,151	1,036,578	-	-
- Ordinary shares issued to fund advance to Shaw River Manganese Limited		2,053	7,499	-	-
- less transaction costs		-	(498)	-	(5,748)
End of the financial year		<u>825,966</u>	<u>1,703,394</u>	<u>473,674</u>	<u>508,677</u>

Notes continued

30 June 2011

23. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT (LOSS)ISSUED CAPITAL (CONTINUED)

(c) Movements in options on issue

	2011
	Number of options '000
Beginning of the financial year	25,618
Issued during the year:	
Exercisable at \$2.00 to \$3.00 expiring 30 September 2013 to 30 June 2015	11,155
Exercisable at \$3.01 to \$4.00 expiring 30 September 2014 to 31 March 2015	265
Exercisable at \$4.01 to \$5.00 expiring 30 June 2015 to 30 June 2015	100
Less: Options exercised	(10,853)
Less: Options cancelled	(2,720)
End of the financial year	<u><u>23,565</u></u>

(d) Unexercised options at the end of the financial year

	Expiry date
Exercise price	
\$0.00 to \$1.00	15 August 2011 to 31 May 2012
\$1.01 to \$2.00	16 July 2012 to 31 December 2013
\$2.01 to \$3.00	20 August 2012 to 30 June 2015
\$3.01 to \$4.00	30 September 2012 to 31 March 2015
\$4.01 to \$5.00	30 June 2013 to 31 December 2012
End of the financial year	<u><u>23,565</u></u>

(e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. There are no restrictions attached to this class of share.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

All issued shares are fully paid. The Group does not have any par value in respect of its issued shares.

Notes continued

30 June 2011

	2011 \$'000	2010 \$'000
23. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT/ (LOSS)		
(f) Reserves		
Share-based payments reserve	27,451	17,036
Investment revaluation reserve	-	-
Balance at end of year	27,451	17,036
Movements:		
Share-based payments reserve		
Balance at beginning of year	17,036	14,600
Option expense	10,415	2,436
Balance at end of year	27,451	17,036
Investment revaluation reserve		
Balance at beginning of year	-	1,287
Realised gain on investment transferred out of reserves	-	(10,659)
Revaluation of investments in listed entities	-	9,372
Balance at end of year	-	-
(g) Profit/ (loss)		
Balance at beginning of year	(166,713)	(125,867)
Net profit/(loss) attributable to members of Atlas Iron Limited	168,617	(40,846)
Balance at end of year	1,904	(166,713)
(h) Nature and purpose of reserves		

The share-based payments reserve is to recognise the fair value of share based payment expenses.

Notes continued

30 June 2011

24. STATEMENT OF CASH FLOWS

	2011 \$'000	2010 \$'000
(a) Reconciliation of the profit/ (loss) after income tax to the net cash flows from operations		
Net Profit/(Loss)	168,617	(40,846)
Non-cash items		
Depreciation and amortisation of non-current assets	31,653	16,850
Prepayment expensed during the year	8,504	-
Share based payments expense	10,415	2,436
Impairment of mining tenements	1,140	3,690
Unwinding of mine rehabilitation provision	1,258	198
Shares issued related to exploration and evaluation activities	-	375
Unrealised (gain)/loss on foreign exchange	-	39
(Profit)/Loss on disposal of fixed assets	(23)	(41)
Net loss on fair valuing loan	-	830
Impairment loss on tenements on acquisition	-	23,396
Share of loss of joint venture	350	1,703
Share of loss of associate	5,166	2,241
Change in fair value of financial assets	6,493	-
Realised (gain)/loss on investment transferred from reserves	-	(10,659)
Tax expense	14,556	-
Changes in operating assets and liabilities		
(Increase) in trade and other receivables	(17,260)	(7,671)
(Increase) in prepayments	(4,565)	(354)
Decrease/(Increase) in inventories	2,206	(6,526)
Decrease/(Increase) in security deposits	33	(2,009)
(Decrease)/Increase in trade and other payables	(7,683)	(5,242)
Increase in employee entitlements	232	287
(Decrease)/Increase in provision	110	(214)
	221,202	(21,517)
Sale of mining tenements	-	(8,500)
Acquisition of associate entity	-	4,960
Net cash inflow / (outflow) from operating activities	221,202	(25,057)

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

– cash at bank and in hand	97,599	4,933
– short-term deposits	268,000	150,000
Closing cash and cash equivalents balance	365,599	154,933

(c) Non-cash financing and investing activities

During the year a total of 66,235,000 ordinary shares valued at \$143,068,000 were issued to acquire Aurox Resources Limited, and 273,151,000 ordinary shares valued at \$1,036,578,000 were issued to acquire Giralia Resources NL.

Options issued to employees and consultants for no consideration or as settlement for expenses are shown in note 6.

Notes continued

30 June 2011

	2011 \$'000	2010 \$'000
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25. EXPENDITURE COMMITMENTS

(a) Exploration commitments

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

– not later than one year	11,541	5,942
	<hr/>	<hr/>
	11,541	5,942

(b) Contractual commitments

Port handling fees

- not later than one year	13,235	18,125
- one year or later and no later than five years	24,692	36,174
- later than five years	-	1,656
	<hr/>	<hr/>
	37,927	55,955

(c) Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments

– not later than one year	2,043	1,724
– later than one year and not later than five years	6,165	3,032
Aggregate expenditure contracted for at reporting date	<hr/>	<hr/>
	8,208	4,756

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

(d) Capital commitments

Crush and screen plant *	23,100	-
Contribution towards port development	-	5,591
	<hr/>	<hr/>
	23,100	5,591

* Plus ancillary services estimated to be approximately \$15,000,000.

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30 June 2011

26. PERSONNEL EXPENSES

Contributions to defined contribution plans	1,714	1,065
	<hr/>	<hr/>
	1,714	1,065
	<hr/>	<hr/>

27. SUBSEQUENT EVENTS

The following matters have arisen since 30 June 2011, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years:

Takeover bid for FerrAus Limited

On 27 June 2011, the Group agreed to make an off-market takeover bid ("Takeover Offer") of FerrAus Limited ("FerrAus"). The Group and FerrAus have entered into agreements under which:

- The Group has agreed to subscribe for 37,439,785 FerrAus shares at an issue price of \$0.65 per FerrAus share;
- FerrAus has agreed to purchase certain iron ore tenements in the South East Pilbara from Warwick Resources Pty Limited and Giralia Resources NL, both of whom are wholly owned subsidiaries of the Group, in consideration for the issue of 121,846,154 FerrAus shares with a deemed issue price of \$0.65 per FerrAus share to the Group; and
- The Group agreed to make an off-market takeover bid for 100% of FerrAus shares on the basis of one Atlas share for every four FerrAus shares.

The directors of FerrAus have recommended that FerrAus shareholders accept the Takeover Offer.

The Group expects to open the offer early in September 2011.

Formation of strategic alliance with Centaurus

On 27 July 2011, the Group agreed to acquire a strategic stake of 19.9% in Centaurus Metals Limited ("Centaurus"), an emerging Brazilian iron ore explorer and developer, as part of a wide-ranging strategic alliance which includes the provision of technical, development and product marketing support by the Group. The Group has entered into a subscription agreement with Centaurus under which the Group will subscribe for 212 million Centaurus shares at an issue price of \$0.088 per share, via two tranches. The Group will also receive 30 million Centaurus options.

Global Advanced Metals Limited

In May 2011 the Group entered into a long term infrastructure agreement with GAM, the owners of the infrastructure at the Wodgina tantalum mine site, for the long-term sharing of infrastructure at the Wodgina mine site. The agreement provides increased crushing and screen capacity at Wodgina for six years with options to extend for up to 6 years. On 12 August 2011 the Group paid \$23.1 million to Global Advanced Metals ("GAM") to facilitate the expansion of the Wodgina crushing facility.

Dividend

On 24 August 2011 the Board resolved to pay a final unfranked dividend of 3 cents per share. The total amount is expected to be approximately \$25,000,000 and has not been recognised in the financial statements for the year ended 30 June 2011. This amount will be recognised in the subsequent financial period.

Notes continued

30 June 2011

28. PROFIT/ (LOSS) PER SHARE

	2011 \$'000	2010 \$'000
(a) Reconciliation of earnings to profit or loss		
Net profit/(loss)	168,617	(40,846)
Profit/(loss) used in calculating basic and diluted loss per share	<u>168,617</u>	<u>(40,846)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share		
Weighted average number of ordinary shares used in calculating basic loss per share	<u>631,849,333</u>	<u>425,379,307</u>
Effect of dilutive securities:		
Weighted average number of ordinary shares (basic)	631,849,333	425,379,307
Effect of share options on issue	<u>14,701,741</u>	<u>36,348,000</u>
Weighted average number of ordinary shares (diluted)	<u>646,551,074</u>	<u>461,727,307</u>

The calculation of diluted earnings per share at 30 June 2011 was based on profit attributable to ordinary shareholders of \$168,617,000 (2010: loss \$40,846,000) and a weighted average number of shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 646,551,074 (2010: 461,727,307) calculated as follows:

(c) Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	631,849,333	425,379,307
Effect of share options on issue	<u>14,701,741</u>	<u>36,348,000</u>
Weighted average number of ordinary shares (diluted)	<u>646,551,074</u>	<u>461,727,307</u>

As there were dilutive potential ordinary shares on issue at balance date, diluted earnings per share for the year was \$0.261 cents profit per share (2010: \$0.096 cents loss per share).

The average market value of the Group's shares, for the purposes of calculating the dilutive effect of share options, was based on quoted market prices for the period that the options were outstanding.

	2011	2010
29. AUDITORS' REMUNERATION		
Amounts received or due and receivable by Stantons International (former auditor) for:		
– Audit or review of the financial report of the Group	20,000	154,000
Amounts received or due and receivable by KPMG (current auditor) for:		
– Audit or review of the financial report of the Group	<u>200,000</u>	<u>–</u>
	<u>220,000</u>	<u>154,000</u>

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30 June 2011

30. KEY MANAGEMENT PERSONNEL

The following were directors and key management personnel of the group at any time during the reporting period and unless otherwise indicated were directors and key management personnel for the entire period:

Non-Executive Directors

Geoff Clifford Chairman (retired 31/07/2011)

David Hannon Interim Chairman

David Smith

Tai Sook Yee

Executive Directors

David Flanagan (Managing Director)

Key Executives

Anthony Walsh (Company Secretary)

Ken Brinsden (Chief Development Officer)

Mark Hancock (Chief Commercial Officer and Company Secretary)

John McMath (General Manager Infrastructure Strategy)

(a) Option holdings of key management personnel

30 June 2011

	Balance at beginning of year 1 July 2010	Granted	Option disposals	Options exercised	Balance at end of year 30 June 2011	Vested at 30 June 2011 Exercisable
Directors						
Geoff Clifford	500,000	1,000,000	(1,000,000)	-	500,000	500,000
David Flanagan	8,500,000	2,500,000	(3,500,000)	(2,500,000)	5,000,000	5,000,000
David Hannon	1,500,000	500,000	-	(1,000,000)	1,000,000	1,000,000
David Smith	-	1,000,000	-	-	1,000,000	1,000,000
Tai Sook Yee	-	500,000	-	-	500,000	500,000
Executives						
Anthony Walsh	500,000	500,000	-	-	1,000,000	1,000,000
Ken Brinsden	1,000,000	750,000	(350,000)	-	1,400,000	1,400,000
Mark Hancock	1,050,000	750,000	(225,000)	(225,000)	1,350,000	1,350,000
John McMath	500,000	100,000	-	-	600,000	350,000
Total	13,550,000	7,600,000	(5,075,000)	(3,725,000)	12,350,000	12,100,000

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30 June 2011

30. KEY MANAGEMENT PERSONNEL (CONTINUED)

30 June 2010

	Balance at beginning of year 1 July 2009	Granted	Options disposals	Other	Balance at end of year 30 June 2010	Vested at 30 June 2010
						Exercisable
Directors						
Geoff Clifford	500,000	-	-	-	500,000	500,000
David Flanagan	8,500,000	-	-	-	8,500,000	8,500,000
David Hannon	1,500,000	-	-	-	1,500,000	1,500,000
David Smith	-	-	-	-	-	-
Jyn Sim Baker (1)	500,000	-	-	(500,000)	-	-
Tai Sook Yee	-	-	-	-	-	-
Executives						
Anthony Walsh	750,000	-	(250,000)	-	500,000	500,000
Ken Brinsden	1,150,000	-	(150,000)	-	1,000,000	1,000,000
Mark Hancock	1,150,000	-	(100,000)	-	1,050,000	1,050,000
John McMath	-	500,000	-	-	500,000	-
Total	14,050,000	500,000	(500,000)	(500,000)	13,550,000	13,050,000

(1) Jyn Sim Baker resigned 2 June 2010.

(b) Shareholdings of key management personnel

30 June 2011

	Held at 1 July 2010	Purchases	On exercise of options	Sales	Held at 30 June 2011
Directors					
Geoff Clifford	50,000	-	-	-	50,000
David Flanagan	210,000	-	2,500,000	-	2,710,000
David Hannon	2,054,668	-	1,000,000	-	3,054,668
David Smith	-	-	-	-	-
Jyn Sim Baker (1)	-	-	-	-	-
Tai Sook Yee	-	-	-	-	-
Executives					
Anthony Walsh	140,225	-	-	(115,000)	25,225
Ken Brinsden	2,500	-	-	-	2,500
Mark Hancock	6,000	-	225,000	-	231,000
John McMath	-	-	-	-	-
Total	2,463,393	-	3,725,000	(115,000)	6,073,393

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30 June 2011

30. KEY MANAGEMENT PERSONNEL (CONTINUED)

30 June 2010

	Held at 1 July 2009	Purchases	On exercise of options	Net change other *	Held at 30 June 2010
Directors					
Geoff Clifford	25,000	25,000	-	-	50,000
David Flanagan	210,000	-	-	-	210,000
David Hannon	1,842,068	212,600	-	-	2,054,668
David Smith	-	-	-	-	-
Jyn Sim Baker (1)	-	-	-	-	-
Tai Sook Yee	-	-	-	-	-
Executives					
Anthony Walsh	10,000	-	-	130,225	140,225
Ken Brinsden	2,500	-	-	-	2,500
Mark Hancock	1,000	-	-	5,000	6,000
John McMath	-	-	-	-	-
Total	2,090,568	237,600	-	135,225	2,463,393

(1) Jyn Sim Baker resigned 2 June 2010.

* Conversion of Warwick options to shares.

(c) Compensation of key management personnel by category

Information regarding individual directors and executives' compensation and some equity instrument disclosures are required by Corporations Regulation 2M.303 is provided in the remuneration section of the Directors Report.

	2011 \$'000	2010 \$'000
Short-term	3,249	2,987
Long-term	42	21
Post employment	264	254
Share-based payment	6,804	646
	10,359	3,908

(d) Loans to key management personnel

There were no loans provided to key management personnel during the year.

There were no related party transactions between the key management personnel and the Group other than those related to compensation which have been disclosed above.

31. RELATED PARTY DISCLOSURES

The Group participated in five share placements during the year, acquiring 114,878,919 shares in Shaw River Manganese for \$19,102,000. As at 30 June 2011, the Group's shareholding in Shaw River Manganese was 45.40%.

The following balances arising between the Group and its related entities are outstanding as at the reporting date and arise from costs on-charged to the joint ventures and associates in the ordinary course of business:

Related party receivables

Mt Webber Joint Venture	2,429	-
Daltons Joint Venture	248	-
Shaw River Manganese Limited	65	7
	2,742	7

Notes continued

30 June 2011

32. SEGMENT INFORMATION

Segment products and locations

The Group operates in the mineral exploration industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the exploration and extraction of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. These risks arise in the normal course of business and are managed in accordance with the Group's Financial Risk Management Policy. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and has delegated the authority for developing and monitoring risk management policies to the Audit & Risk Committee.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Executive Management team monitors and manages the financial risks relating to the Group's operations through regular reviews of the risks.

Financial risks

The Group is exposed to credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, customers, and investments.

To manage credit risk, the Group maintains policies governing credit approvals and investment counterparties.

The Group's exposure to credit risk is influenced by the characteristics of its customers. The majority of the Group's sales revenue arises from customers based in China and the Group has mitigated the risk of financial loss by undertaking trade finance through letters of credit.

The Group has limited its exposure to credit risk arising from cash and cash equivalents by investing and transacting with banks that hold minimum investment grade credit ratings of A-1, where exposure to an individual counterparty is limited to 20% of the total portfolio.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of the Group's financial assets:

Carrying Amount	Notes	2011 \$'000	2010 \$'000
Cash and cash equivalents	24(b)	365,599	154,933
Trade and other receivables*	12	39,890	19,563
Other receivables - non-current	12	6,420	6,119
		411,909	180,615

*Based on historical default rates, the group believes that, no impairment allowance is necessary in respect of trade receivables past due.

No impairment losses have been recognised during the year as a result of credit risk.

Liquidity risk

The Group's liquidity risk arises from the possibility that it will not be able to meet financial obligations as they fall due. The Group manages its exposure to liquidity risk by monitoring forecast and actual cash flows to ensure that it maintains sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. The Group prepares detailed financial models as part of its budget planning process, which are used to predict liquidity needs, to support the Group's funding requirements.

Notes continued

30 June 2011

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The expected maturity profile of the Group's financial liabilities at the reporting date, based on contractual amounts including estimated interest payments, is as follows:

30 June 2011

\$'000	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	102,548	(102,548)	(102,548)	-	-	-	-
Finance lease liabilities	109	(122)	(44)	(34)	(44)	-	-
	102,657	(102,670)	(102,592)	(34)	(44)	-	-

30 June 2010

\$'000	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	20,862	(20,862)	(20,862)	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-
	20,862	(20,862)	(20,862)	-	-	-	-

Market risk

Market risk is the risk that changes in market prices, including foreign exchange rates, metals prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to fluctuations in commodity prices, foreign currency and interest rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return.

Commodity price risk

Commodity price risk arises from fluctuations in market prices of iron ore. Contract iron ore sales are based on an international iron ore index. The Group has not entered into any forward commodity price contracts as at 30 June 2011 and is currently exposed to commodity price risk on future sales. The Group monitors market expectations on future commodity prices and considers entering into longer term contracts if necessary to manage the risks.

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases which are denominated in currencies other than the Group's functional currency. The Group's sales are denominated in US dollars and approximately 17% of its operating costs are also denominated in US dollars. To hedge exposure to foreign exchange movements, the Group may enter into spot and forward foreign exchange contracts as required.

The Group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts:

30 June 2011

Notes	AUD		USD
	\$'000	\$'000	Total \$'000
Cash and cash equivalents	24(b)	341,267	24,332
Trade and other receivables	12	21,625	24,685
Trade and other payables	20	(101,436)	(1,221)
		261,456	47,976
			309,252

30 June 2010

Cash and cash equivalents	24(b)	151,376	3,557	154,933
Trade and other receivables	12	24,500	1,182	25,682
Trade and other payables	20	(20,862)	-	(20,862)
		155,014	4,739	159,753

Notes continued

30 June 2011

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following significant exchange rates applied during the financial year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
US\$	0.988	0.882	1.074	0.882

Sensitivity analysis

A 5 per cent fluctuation of the Australian dollar against the US dollar at 30 June would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, including interest rates, remain constant.

30 June 2011	Strengthening		Weakening	
	Equity \$'000	Profit or Loss \$'000	Equity \$'000	Profit or Loss \$'000
	-	(1,755)	-	2,868
+/-5%	-	(1,755)	-	2,688

30 June 2010	Strengthening		Weakening	
	Equity \$'000	Profit or Loss \$'000	Equity \$'000	Profit or Loss \$'000
	-	(231)	-	255
+/-5%	-	(231)	-	255

Interest Rate Risk

The Group is exposed to interest rate risk on investments from the possibility that changes in interest rates will affect future cash flows. The Group does not manage its exposure to movements in market interest rates. The Group adopts a policy of ensuring that as far as possible, it maintains excess cash and cash equivalents in short term deposits at interest rates with maturities not exceeding 180 days.

The interest rate profile of the Group's interest-bearing financial instruments at the reporting date was:

Carrying amount	2011		2010	
	\$'000	\$'000	\$'000	\$'000
Fixed Rate Instruments				
Financial Assets (cash & cash equivalents)	268,000		150,000	
	268,000		150,000	
Variable Rate Instruments				
Financial Assets (cash & cash equivalents)	97,599		4,933	
	97,599		4,933	

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, including foreign exchange rates, remain constant.

Notes continued

30 June 2011

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$'000	\$'000	\$'000	\$'000
30 June 2011				
Variable Rate Instruments	979	(979)	-	-
	979	(979)	-	-
30 June 2010				
Variable Rate Instruments	49	(49)	-	-
	49	(49)	-	-

The carrying values of financial assets and financial liabilities approximately reflect their fair values.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings.

Management has ceased granting options to employees.

The Group has no borrowings at present however the Board will reconsider with future expansions. The Group does not purchase its own shares. There were no changes in the Group's approach to capital management during the year.

34. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership 2011 (%)	Ownership 2010 (%)
<i>Parent Entity</i>			
Atlas Iron Limited (i)	Australia		
<i>Subsidiaries</i>			
Atlas Operations Pty Ltd (ii)	Australia	100	100
St George Magnetite Pty Ltd (ii)	Australia	100	100
Mt Gould Minerals Pty Ltd (ii)	Australia	100	100
Weld Range Iron Ore Pty Ltd (ii)	Australia	100	100
Tiziflower Investments Inc (ii)	Panama	100	100
Jakkitower Enterprises SA (ii)	Panama	100	100
Warwick Resources Pty Ltd (ii)	Australia	100	100
Aurox Resources Ltd (ii)	Australia	100	-
Ferro Metals Australia Pty Ltd (ii)	Australia	100	-
Giralia Resources NL (ii)	Australia	100	-
Tallering Resources Pty Ltd (ii)	Australia	100	-
Carlinga Mining Pty Ltd (ii)	Australia	100	-
Wheelbarrow Prospecting Pty Ltd (ii)	Australia	100	-
PM Gold Asia Pty Ltd (ii)	Australia	100	-
Minera Atacamena Limitada	Chile	100	-

(i) Atlas Iron Limited is the head entity within the consolidated group.

(ii) These companies are members of the tax consolidation group.

Notes continued

30 June 2011

35. PARENT COMPANY

As at and throughout the financial year ended 30 June 2011, the parent entity of the Group was Atlas Iron Limited.

35(a) Financial Position of parent entity at year end

	PARENT	
	2011	2010
	\$'000	\$'000
Total current assets	427,580	187,570
Total non-current assets	<u>1,481,562</u>	216,818
TOTAL ASSETS	<u>1,909,142</u>	<u>404,388</u>
 Total current liabilities	45,480	22,627
Total non-current liabilities	<u>86,509</u>	7,011
TOTAL LIABILITIES	<u>131,989</u>	<u>29,638</u>
 NET ASSETS	<u>1,777,153</u>	<u>374,750</u>
 TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:		
Issued capital	1,703,394	508,677
Reserves	<u>27,451</u>	17,036
Accumulated profits/ (losses)	<u>46,308</u>	(150,963)
TOTAL EQUITY	<u>1,777,153</u>	<u>374,750</u>
 RESULTS OF PARENT ENTITY		
Profit/(loss) for the year	195,773	(33,317)
<i>Other comprehensive income</i>		
Gain/(loss) on revaluation of investments	-	9,372
Realised gain on investment transferred out of reserves	-	(10,659)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>195,773</u>	<u>(34,604)</u>

35 (b) Guarantees entered into by the Parent

Atlas Iron Limited has not entered into a deed of cross guarantee with its 100% owned subsidiaries.

35 (c) Contingent liabilities of the Parent

The Parent does not have any contingent liabilities.

35 (d) Capital commitments of the Parent

The Parent has capital commitments in respect of the crushing and screening plant as disclosed in note 25(d).

Directors' Declaration

The directors of Atlas Iron Limited declare that:

- (1) (a) In the Directors' opinion, the consolidated financial statements and notes that are contained in pages 73 to 115 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (c) The directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Commercial Officer for the financial year ended 30 June 2011.

(2) The directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Dated this 24th day of August 2011.



David Flanagan
Managing Director
Perth, Western Australia

Independent Audit Report



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

Report on the financial report

We have audited the accompanying financial report of Atlas Iron Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Independent Audit Report (continued)



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Atlas Iron Limited for the year ended 30 June 2011 complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

A handwritten signature in black ink, appearing to read 'R. Gambitta'.

R Gambitta
Partner

Perth
24 August 2011

Auditor's Independence Letter



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

To: The directors of Atlas Iron Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

A handwritten signature in black ink, appearing to read 'R. Gambitta'.

R Gambitta

Partner

Perth

24 August 2011

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2011

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

Range	Ordinary Shares Number of Holders
1 - 280	1,270
281 - 5,000	16,087
5,001 - 10,000	4,460
10,001 - 100,000	4,035
100,001 - and over	303
Total number of shareholders	26,155
The number of shareholders holding less than a marketable parcel of shares are:	447

(b) Twenty largest shareholders of Atlas iron Limited

The names of the twenty largest holders of quoted shares are:

Shareholder name	Number of ordinary shares held	Percentage shareholding
1 National Nominee Ltd	132,719,150	15.36%
2 J P Morgan Nominee Australia Ltd	116,550,251	13.49%
3 HSBC Custody Nominee Australia Ltd	110,510,951	12.79%
4 IMC Resources Investments Pte Ltd	66,749,653	7.73%
5 Citicorp Nominee Pty Ltd	37,586,562	4.35%
6 JP Morgan Nominee Australia Ltd	19,780,822	2.29%
7 Breamlea Pty Ltd	14,928,855	1.73%
8 HSBC Custody Nominee Australia Ltd	14,092,700	1.63%
9 RBC Dexia Investor SVCS A	13,794,083	1.60%
10 Cogent Nominee Pty Ltd	10,575,607	1.22%
11 Macdonald Stanley Allan	9,239,280	1.07%
12 AMP Life Ltd	6,769,925	0.78%
13 HR Equities Pty Ltd	6,201,334	0.72%
14 UBS Nominee Pty Ltd	6,030,407	0.70%
15 HSBC Custody Nominee Australia Ltd	5,249,691	0.61%
16 Granich Nada	4,381,112	0.51%
17 Citicorp Nominee Pty Ltd	3,788,270	0.44%
18 Penfold Ltd	3,774,298	0.44%
19 Woodross Nominee Pty Ltd	3,610,714	0.42%
20 Australia Reward Investments Alliance	3,432,706	0.40%
Top 20 Total	589,766,371	68.28%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Number of Shares
IMC Resource Investments Pte Ltd
Schroder Investment Management Australia Limited
Blackrock Investment Management (Australia) Limited

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Unlisted Options

A listing of each class of option on issue is set out in the "Share Options" section in the Directors Report. As at 16 September 2011, the Company had 21,750,000 of unlisted options on issue. There are 176 classes of unlisted options as at 16 September 2011.

Corporate Information

Directors

David Hannon (Non Executive Chairman)
David Flanagan (Managing Director)
David Smith (Non Executive Director)
Tai Sook Yee (Non Executive Director)

Company Secretaries

Anthony Walsh
Mark Hancock

Registered Office

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Solicitors

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Bankers

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Perth WA 6000

Share Register

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Applecross WA 6153
Tel: +61(0) 8 9315 2333
www.securitytransfer.com.au

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Website Address

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ASX Code

Shares AGO

ABN 63 110 396 168

