

19 December 2017



# Atlas strikes lithium DSO agreement with Pilbara Minerals

Atlas' diversification strategy expected to generate strong free cashflow for minimal capital outlay

## Highlights

- **Atlas to purchase 1mt - 1.5mt of lithium DSO from Pilbara Minerals over 15 months**
- **Pilbara will mine the ore at its Pilgangoora Project with Atlas taking ownership of the ore at the mine gate**
- **Atlas will process and transport the ore using its existing infrastructure, including its Mt Dove crusher and Utah Point port facilities**
- **First export sales scheduled for June 2018 Quarter**
- **Deal stands to deliver Atlas an operating margin of \$15-20/t based on current market prices**
- **Agreement reflects Atlas' strategy to diversify its revenue sources**
- **Further lithium opportunities under consideration**
- **Royalty payments to Atlas from mining at Altura's Pilgangoora Project likely to start in 2018**

Atlas Iron Limited (ASX: AGO) is pleased to advise that it has signed an agreement with Pilbara Minerals (ASX: PLS) which will see Atlas become a lithium DSO supplier from the first half of 2018.

Under the agreement, Atlas will purchase 1 - 1.5 million tonnes of lithium direct shipping ore (DSO) from Pilbara over a 15-month period. This is scheduled to begin in the June 2018 Quarter.

Pilbara will mine the ore at its Pilgangoora Lithium Project, 120km south-east of Port Hedland in the Pilbara region of Western Australia. Atlas will purchase the ore at the Pilgangoora mine.

Atlas will crush the ore at its Mt Dove operation, transport it and load it onto a ship for export using its existing facilities at Utah Point. Atlas is now working to finalise export sales arrangements, which would include funding for prepayments to Pilbara Minerals.

Atlas will prepare its logistics chain to handle lithium DSO at a very low capital cost. After allowing for payments to Pilbara and its own costs, Atlas expects to generate an operating margin of \$15-20 per tonne.

Atlas Managing Director Cliff Lawrenson said the agreement marked the start of the next chapter in Atlas' growth.

"This deal is another significant step forward for our business," Mr Lawrenson said. "We expect to generate strong free cashflow for Atlas in return for minimum capital outlay.

"It enables us to leverage our existing assets, including the crusher and port facilities, and utilise our corporate infrastructure.

"We are pleased to find an opportunity to create value through common sense infrastructure sharing in the Pilbara. This is the first revenue earning agreement we have reached as part of our diversification strategy and it will not be the last."

## Atlas Iron Limited

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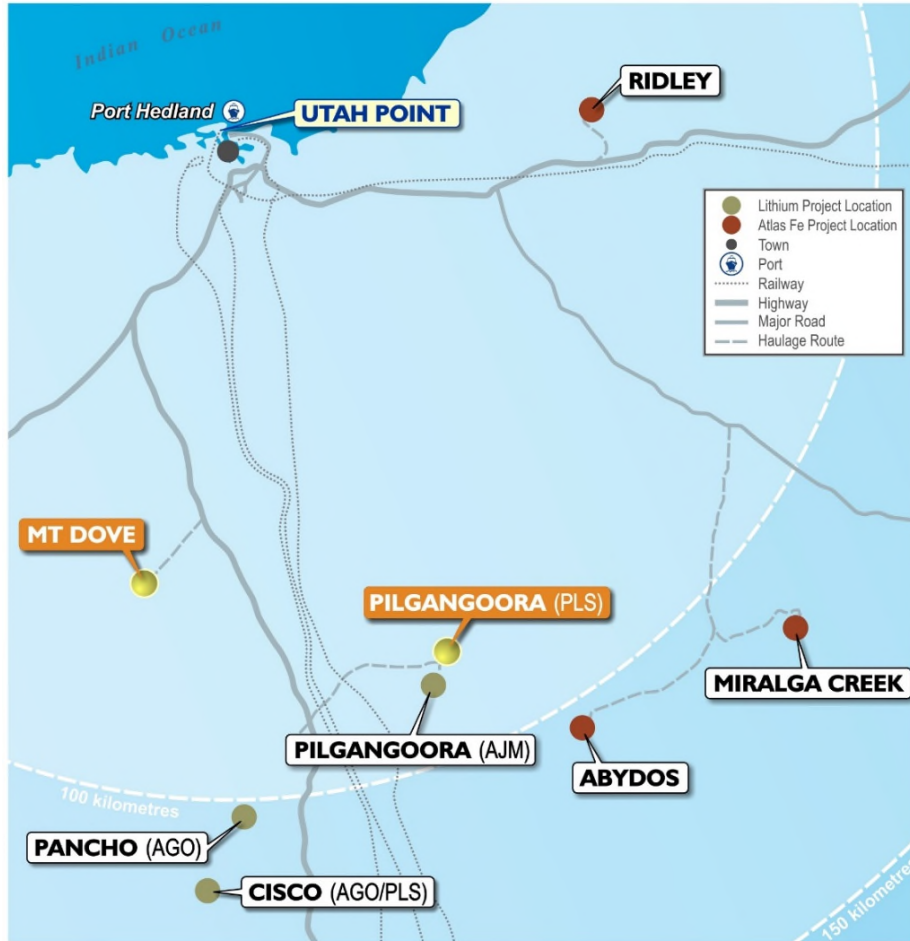
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The agreement with Pilbara is subject to conditions precedent including port approvals and finalisation of export sales agreements. Atlas expects to satisfy these conditions in the coming months to allow exports to commence in the June 2018 Quarter.



Map: Lithium project opportunities

### Cisco JV

As part of the DSO deal, Atlas and Pilbara have agreed to extend the deadline by which Pilbara is required to spend \$1 million on the Cisco Lithium Prospect to October 2018. Atlas sold a 51% interest in the Cisco Joint Venture to Pilbara earlier this year (see ASX release dated 29 March 2017). Joint Venture drilling, funded by Pilbara, is now scheduled to start in the June 2018 Quarter.

### Pancho prospect

Following on from initial scouting, Atlas is now finalising more detailed mapping and sampling of identified pegmatite, before progressing geochemical analysis and targeting at its 100%-owned Pancho Prospect.

Altura royalty

Altura Mining Limited has advised the market that first lithium concentrate sales from the Altura Pilgangoora Project remain on track for the June 2018 Quarter (see Altura's release dated 14 December 2017). Atlas holds a 5% gross sales royalty over M45/1231, which covers the majority of Altura's Pilgangoora Project.

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