



ATLAS IRON LIMITED

ACN 110 396 168

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at the Mantra on Murray, 305 Murray Street, Perth, Western Australia on Wednesday, 27 April 2016 at 9.00am (WST).



NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of shareholders of Atlas Iron Limited ("**Company**" or "**Atlas**") will be held at the Mantra on Murray, 305 Murray Street, Perth, Western Australia on Wednesday, 27 April 2016 at 9.00am (WST) ("**Meeting**").

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum, Notes and the Proxy Form form part of this Notice.

Terms and abbreviations used in this Notice, the Notes, the Explanatory Memorandum and the Proxy Form are defined in Schedule 1: Definitions.

AGENDA

1. Resolution 1 – Approval to issue New Shares and New Options under the Financial Restructuring

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of a minimum of 6,229,503,121 New Shares and 4,513,986,297 New Options and a maximum number of New Shares and New Options as is determined by applying the formula described in section 2.2(a) of this Notice, on the terms and conditions set out in the Explanatory Memorandum such that, excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, the TLB Lenders will, immediately post the Financial Restructuring, hold approximately 70% of the Company's total Shares and total Options then on issue, and the issue of any Shares on exercise of the New Options, be approved."

Short Explanation

Approval is sought under the ASX Listing Rules to enable the Company to issue securities to the TLB Lenders (of which there are approximately 70 as at the Last Practicable Date). Atlas has signed the RSA with a majority of the TLB Lenders who hold more than 75% of the debt owed by Atlas to the TLB Lenders under the Term Loan B, and agreed an interim amendment to the existing Syndicated Facility Agreement that governs the Term Loan B ("**Amendment**"), on the material terms and conditions described in Schedule 3 to this Notice (collectively called "**the Agreements**"). Under the Agreements, Atlas will (among other things) pay down the TLB in an aggregate amount of US\$10 million (US\$7.5 million of which has already been paid on 24 December 2015 and US\$2.5 million on implementation of the Financial Restructuring) and, subject to receipt of the Shareholder approval sought by this Resolution 1, issue New Shares and New Options to the TLB Lenders in exchange for the TLB Lenders retiring ~US\$121.1 million (approximately A\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00) of the TLB debt.

Pursuant to the Financial Restructuring, the TLB Lenders will be issued that number of New Shares and New Options such that, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, they will hold approximately 70% of the Company's total Shares and Options on issue. No one TLB Lender is expected to hold in excess of 20% of the total Shares on issue after the issue of their New Shares.

The Financial Restructuring will be implemented by way of a creditors' scheme of arrangement, pursuant to Part 5.1 of the Corporations Act. Accordingly, the issue of the New Shares and the New Options is subject not only to the Shareholder approval sought by this Resolution, but is also subject to, among other things:

- the Court convening a meeting of the TLB Lenders to consider the Creditors' Scheme;
- a majority of TLB Lenders present and voting at the Scheme Meeting (in person or by proxy) holding at least 75% of the total debt owed by the Company to the TLB Lenders under the Term Loan B voting in favour of the Creditors' Scheme; and
- the Court approving the Creditors' Scheme.

The Creditors' Scheme is itself conditional on Shareholder approval of Resolution 1 being obtained.



Directors' Recommendation

The Directors believe that Resolution 1 is in the best interests of the Company and its Shareholders, and unanimously recommend that Shareholders vote in favour of the Resolution.

The Directors believe that there is a high risk that Atlas will fail to comply with the Asset Coverage Ratio when it is next tested on 30 June 2016. Failure to comply constitutes an event of default under the Syndicated Facility Agreement, entitling the TLB Lenders to instruct the agent to demand that Atlas repay the amount it owes to the TLB Lenders immediately and to appoint receivers and managers to the secured assets of Atlas. It is the Directors' view that, were such an event of default to occur, the TLB Lenders would take this course of action and Atlas would be unable to repay the debt.

The Directors also believe that, should the appointment of a receiver and manager result in the sale of Atlas' business as a going concern or on a piecemeal basis, the proceeds of a sale on either such basis would be insufficient to repay the debt to the TLB Lenders.

In such a scenario, the Shareholders would receive nothing.

Furthermore, even if the Asset Coverage Ratio were to be satisfied when it is next tested on 30 June 2016 in circumstances where the Creditors' Scheme is not implemented on its terms, it remains the case that, in the Board's view, the Directors are required to pursue a refinancing or restructuring of TLB debt so that the Company can continue to operate as a going concern and meet its obligations under the TLB at maturity.

The detailed reasons for the Directors' beliefs and this recommendation, and the alternatives to the Creditors' Scheme that were considered by the Directors, are set out in sections 2.3 and 2.4 of this Notice.

If Resolution 1 is not approved by Shareholders, in addition to the matters outlined above, the Company's financial position is expected to become very uncertain and the Directors would need to carefully consider the Company's available options. Implications for the Company if Resolution 1 is not approved are described more fully in section 2.4 of this Notice and may include the following (among other things):

1. The Company may consider appointing a voluntary administrator immediately after this Meeting, which could result in the TLB Lenders and other secured creditors appointing a receiver or receiver and manager in relation to the Company's secured assets.
2. The Company would need to urgently seek funding from alternate sources to repay some or all of the TLB debt. At the date of this Notice, the Company has not received any offers to fund the repayment of TLB debt and there is a high risk that this would not be possible in the months after the date of the Meeting, should the iron ore pricing environment continue to be volatile and deteriorate. Furthermore, the Company's ability to raise sufficient funds by way of asset sales or capital raisings is similarly uncertain, and will continue to be constrained by the volatile iron ore pricing environment and by the outlook for equity capital markets (in particular for resource companies) throughout 2016.
3. The Asset Coverage Ratio is tested on 30 June and 31 December each year. The Company considers that there is a high risk that it will fail to satisfy the Asset Coverage Ratio covenant in the future if:
 - Shareholder approval is not granted; or
 - the Creditors' Scheme is not approved by the requisite majorities of TLB Lenders or by the Court, or is otherwise not implemented,

and an alternative source of funding acceptable to the TLB Lenders is not found and implemented promptly in place of the Financial Restructuring.

As mentioned in this Notice, the Shareholder approval sought at the Meeting (allowing the Company to issue the New Shares and New Options to the TLB Lenders) is a condition precedent to implementation of the Creditors' Scheme.

Failure to satisfy the Asset Coverage Ratio covenant constitutes an event of default under the Syndicated Facility Agreement, which in turn entitles the TLB Lenders to instruct the agent under the Syndicated Facility Agreement to demand immediate repayment of the TLB debt from the Company and to, among other things, appoint a receiver and manager to the Company's secured assets.



Voting Exclusion Note

Under ASX Listing Rule 14.11, and in consultation with ASIC, the Company will disregard any votes cast on the Resolutions as follows:

RESOLUTION	PERSONS EXCLUDED FROM VOTING
Resolution 1 – Approval to issue New Shares and New Options (ASX Listing Rule 7.1)	<p>A person who:</p> <ul style="list-style-type: none">• may participate in the proposed issue of New Shares and New Options and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the Resolution is passed; or• is a member of Key Management Personnel (which includes the Directors), <p>and their respective associates.</p>

However, in accordance with the ASX Listing Rules, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote in accordance with the directions to vote on the Proxy Form; or
- the person chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chair intends to vote all undirected proxies (where permitted) in favour of Resolution 1.

If you do not wish to appoint the Chair to vote on Resolution 1 in the manner indicated above, the Company encourages you to complete the voting directions in respect of Resolution 1 in Section B of the Proxy Form.

By Order of the Board

Tony Walsh
Company Secretary
21 March 2016



NOTES

These Notes form part of the Notice.

Right to vote

The Board has determined that, for the purpose of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 5.00pm (WST) on Monday, 25 April 2016.

Appointment of proxies

Each Shareholder entitled to vote at the Meeting may appoint a proxy to attend and vote at the Meeting. To vote by proxy, please complete, sign and return the enclosed Proxy Form in accordance with its instructions. A proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at the Meeting or in voting on the Resolution. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Share Registry.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes to be exercised, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that if proxy holders vote, they must cast all directed proxies as directed. Section 250BB(1) of the Corporations Act provides that if an appointment of a proxy specifies the way the proxy is to vote on a particular resolution:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote as directed;
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
- (c) if the proxy is the Chair, the proxy must vote on a poll, and must vote as directed; and
- (d) if the proxy is not the Chair, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote as directed.

Lodgement of proxy documents

For an appointment of a proxy for the Meeting to be effective:

- the proxy's appointment; and
- if the proxy's appointment is signed by the appointor's attorney – the authority under which the appointment was signed (e.g. a power of attorney) or a certified copy of it,

must be received by the Share Registry by 9.00am (WST) on Monday, 25 April 2016.

Proxies should be returned as follows:

Online:

At www.investorvote.com.au

By Mobile:

Scan the QR Code on your Proxy form and follow the prompts

By Mail to:

Computershare Investor Services Pty Ltd
GPO Box 242
Melbourne Victoria 3001
Australia

By Facsimile Transmission to:

1800 783 447 (within Australia) or
+61 3 9473 2555 (outside
Australia)

Custodian voting:

For Intermediary Online subscribers
only (custodians) please visit
www.intermediaryonline.com to
submit your voting intentions



Important Notification

This Notice does not constitute an offer to acquire or sell or a solicitation of an offer to sell or purchase any securities in any jurisdiction. In particular, this Notice does not constitute an offer, solicitation or sale to any U.S. person or in the United States or any state or jurisdiction in which such an offer, tender offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and neither such securities nor any interest or participation therein may not be offered, or sold, pledged or otherwise transferred, directly or indirectly, in the United States or to any U.S. person absent registration or an available exemption from, or a transaction not subject to, registration under the United States Securities Act of 1933.

For personal use only



ATLAS IRON LIMITED

ACN 110 396 168

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Mantra on Murray, 305 Murray Street, Perth, Western Australia on Wednesday, 27 April 2016 at 9.00am (WST).

1. Introduction

1.1 Financial Restructuring proposal

On 23 December 2015, the Company announced a proposed debt refinancing package with the TLB Lenders under the terms of the RSA. As part of this refinancing package, the Company will, subject to receipt of the Shareholder approval contemplated by Resolution 1 and implementation of the Creditors' Scheme outlined in this Notice (which includes, for the avoidance of doubt, satisfaction of all conditions precedent to the Creditors' Scheme), issue New Shares and New Options to the TLB Lenders (of which there are approximately 70 as at the Last Practicable Date) in exchange for a reduction in US dollar denominated debt of ~US\$121.1 million (approximately AUD\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00). This will result in the Company issuing New Shares and New Options such that immediately post the Financial Restructuring, excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, the TLB Lenders will hold approximately 70% of the Company's total Shares and total Options then on issue.

Based on the issued capital at the date of this Notice, the Company will be required to issue 6,229,503,121 New Shares at a deemed, fixed issue price of **1.9439838 US cents** per Share ("**Issue Price**") and 4,513,986,297 New Options at an exercise price of 7.5 Australian cents per Share. For ease of reference, in the balance of this document the Issue Price is rounded to 1.94 US cents. Resolution 1 seeks approval for the potential issue of further New Shares and New Options as is determined by applying the formula described in section 2.2(a) of this Notice, so as to factor in any issues of securities between the date of this Notice and implementation of the Financial Restructuring. The issue of such further New Shares and New Options would also have an impact on the final Issue Price (see further discussion about this in section 2.2(c) of this Notice); but Atlas does not propose to issue Shares or Options between the date of this Notice and the proposed date of issue of the New Shares and New Options, nor does it expect to be otherwise required to do so. If Atlas was required to do so, it would announce this and the effect on the Issue Price on ASX as soon as possible.

The Financial Restructuring will be implemented by way of a creditors' scheme of arrangement under Part 5.1 of the Corporations Act; this being referred to as the Creditors' Scheme in this Notice.

Completion of the issue of the New Shares and New Options contemplated by Resolution 1 is conditional on (among other things):

- (a) Shareholder approval of Resolution 1;
- (b) the Court convening a meeting of TLB Lenders to consider the Creditors' Scheme (being the "**Scheme Meeting**");
- (c) a majority of TLB Lenders present and voting at the Scheme Meeting (in person or by proxy) holding at least 75% of the total debt owed by the Company under the Term Loan B to the TLB Lenders voting in favour of the Creditors' Scheme at the Scheme Meeting;
- (d) the Court approving the Creditors' Scheme;
- (e) the Company's compliance with its obligations under the Agreements;
- (f) the Company obtaining a modification granted by ASIC to subsections 707(3) and 707(4) of the Corporations Act, to enable to the Shares issued on the exercise of New Options to be freely tradeable without relevant on-sale restrictions. The Company submitted an application to ASIC seeking such a modification on 8 February 2016; and
- (g) compliance with all Australian and US regulatory requirements (including the TLB Lenders' receipt of approval under the FATA, if and to the extent required).



There are a number of steps that need to be completed before the Financial Restructuring can be implemented. Schedule 4 to this Notice sets out the steps that will be need to be completed prior to the Creditors' Scheme becoming effective, and Schedule 5 to this Notice sets out the steps then required to implement the Creditors' Scheme and the Financial Restructuring the subject of it.

1.2 Use of funds

No funds are being raised under the Financial Restructuring, which contemplates the issue of New Shares and New Options to the TLB Lenders only in exchange for a reduction in US dollar denominated debt of ~US\$121.1 million (approximately AUD\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00).

1.3 Table of dilution

The table below illustrates the maximum dilution to Shareholders that is contemplated by Resolution 1, based on the issued capital of the Company as at the date of this Notice:

Financial Restructuring		
Shares		
New Shares to be issued under the Financial Restructuring ²	6,229,503,121	70.0%
Total New Shares	6,229,503,121	70.0%
Existing Shares on issue	2,669,787,052	30.0%
Shares on issue immediately post the Financial Restructuring*	8,899,290,173	100.0%
Options		
New Options to be issued under the Financial Restructuring ²	4,513,986,297	70.0%
Total New Options	4,513,986,297	70.0%
Existing Options on issue ¹	1,934,565,556	30.0%
Options on issue immediately post the Financial Restructuring	6,448,551,853	100.0%

Notes:

1. There are 1,744,762,043 Existing Quoted Options and 189,803,513 unquoted employee incentive Options that are subject to vesting conditions and must be exercised by no later than 13 November 2020. 20,911,333 of these unlisted options were issued to the Company's Managing Director, Mr David Flanagan. See further about this in section 2.3 of this Notice.

2. Should the Company issue Shares and/or Options after the date of this Notice, but before the date of implementation of the Financial Restructuring, the Company will be required to issue more than 6,229,503,121 New Shares and 4,513,986,297 New Options to the TLB Lenders such that the TLB Lenders, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, will hold approximately 70% of the Company's Shares and Options then on issue.

* Should all the New Options be exercised by the TLB Lenders at 7.5 cents per New Option, and none of the Existing Quoted Options be exercised and none of the unquoted employee incentive Options are exercised, then the TLB Lenders would own approximately 80.10% of the Shares on issue based on the total issued capital of the Company as at the date of this Notice.

1.4 Indicative Timetable

Event	Date
Hearing of application to Court for order convening meeting of TLB Lenders to consider Creditors' Scheme	30 March 2016
Scheme Meeting	15 April 2016
This Shareholders' Meeting	27 April 2016
Hearing of application to Court for order approving Creditors' Scheme	27 April 2016
New Shares and New Options issued (expected date)	28/29 April 2016

The dates in the above timetable are indicative only and subject to change.

1.5 Material terms of Financial Restructuring

1.5.1 Material terms and outcomes for the Company if the Financial Restructuring is implemented

The material terms of the Agreements are set out in Schedule 3 of this Notice.

As mentioned in section 1.1 of this Explanatory Memorandum, the Financial Restructuring will be implemented by way of the Creditors' Scheme. If the Creditors' Scheme is successfully implemented in accordance with its terms, the outcomes for the Company include the following.

- (a) The Company will pay down the TLB debt amount by a further US\$2.5 million in cash, in addition to the US\$7.5 million paid on 24 December 2015. This will necessarily reduce the Company's available cash resources.
- (b) The principal debt owed by the Company to the TLB Lenders under the Syndicated Facility Agreement will be reduced from ~US\$259.3 million (as at 31 December 2015) to US\$135 million.
- (c) The terms on which the remaining debt is owed to the TLB Lenders under the Syndicated Facility Agreement will be amended under the Amended Syndicated Facility Agreement (as described in Schedule 3 to this Notice). Notably, the Asset Coverage Ratio covenant will not be included in the Amended Syndicated Facility Agreement. However, a new financial covenant will be included that requires the Company to maintain a minimum amount of cash, being A\$35 million plus 50% of the aggregated amount outstanding under any prescribed trade finance facility, at the end of each calendar month after the Creditors' Scheme is implemented until maturity of the TLB debt ("**Agreed Minimum Cash Covenant**").

There will also be a "cash sweep" clause included in the Amended Syndicated Facility Agreement, which effectively requires the Company to apply cash it holds in excess of A\$80 million to make repayments of principal owing under the Amended Syndicated Facility Agreement. This is discussed in more detail in Schedule 3 to this Notice.

- (d) The Company will issue the New Shares and New Options to the TLB Lenders.
- (e) Mr Alan J Carr, Mr Eugene I Davis and Mr Daniel Harris, as nominated by the TLB Lenders to act as Directors of the Company (being the "**New Directors**"), will be appointed to the Board at implementation of the Financial Restructuring. Further information about the New Directors is included in section 2.5(b) of this Notice. Two of the existing Directors (other than David Flanagan and Cheryl Edwardes) will also resign as part of implementation of the Financial Restructuring.



(f) The rights of Subordinate Claim Holders as against Atlas will be limited to the amount (if any) actually recovered by the Company under any applicable insurance policy applicable to that Subordinate Claim, less expenses incurred in connection with that Subordinate Claim ("**Net Proceeds**"). Further, Atlas will be released from any obligation to pay any amount in respect of any Subordinate Claim (including interest and costs) in excess of those Net Proceeds. In broad terms, a Subordinate Claim for these purposes means a claim:

- (i) for a debt owed by the Company to a person in the person's capacity as a Shareholder (whether by way of dividends, profits or otherwise); or
- (ii) that arises from buying, holding, selling or otherwise dealing in shares in the Company,

against the Company in respect of any fact, matter, circumstance or event that has arisen or occurred at any time prior to the implementation of "Step 12" of the Creditors' Scheme.

See further detail about this in section 2.5(c) of this Notice and in Step 12 of Schedule 5 to this Notice.

1.5.2 Obligations during the "Restructuring Period" and ability to terminate the Agreements

The Company is obliged to comply with the RSA until such time as the Long Stop Date occurs (being 30 April 2016) or the RSA is terminated, whichever occurs first ("**Restructuring Period**").

The Company has a number of obligations under the Agreements during the Restructuring Period and the key obligations are set out below.

- (a) **Minimum daily cash balance:** The Company must not permit its cash balance to drop below A\$55 million (less any principal and interest paid on or after 25 March 2016) on any day, and this will be tested at the close of each business day (this is the "**Minimum Daily Cash Balance Test**").
- (b) **Remuneration:** The Company must not increase board and senior management remuneration.
- (c) **Material contracts:**
 - (i) The Company must not enter into, amend or terminate any material contract other than for the primary purpose of effecting cost savings.
 - (ii) The Company must not enter into any transaction involving consideration of greater than US\$1 million. Certain exceptions apply, including ordinary course offtake and hedging agreements.

The Agreements are subject to customary regulatory and governmental approvals.

The Minimum Daily Cash Balance Test may expose Atlas to a number of risks including, but not limited to, those set out below.

- (a) Atlas' cash flow is derived from the sale of iron ore in US dollars. Fluctuations in the spot iron ore price, foreign currency exchange rates, the performance of counter-parties, the premiums received for Atlas' Lump product and other factors will affect Atlas' cash position and could affect Atlas' ability to meet the Minimum Daily Cash Balance Test.
- (b) The value of Atlas' iron ore sales will be influenced by future iron ore price and currency. While Atlas relies on a number of independent economic forecasters to provide data, the future value of the majority of these sales is unknown.
- (c) The value of Atlas' interest costs and freight obligations will be affected by foreign exchange rates.

The risks set out in section 12 of the Company's prospectus dated 11 June 2015, insofar as they impact the Company's cash flow, remain relevant for the Company in the context of its ability to satisfy the Minimum Daily Cash Balance Test.



While the Company believes it currently has a reasonable basis for expecting that it will continue to meet the Minimum Daily Cash Balance Test, there is no guarantee that the Minimum Daily Cash Balance Test will be satisfied during the Restructuring Period. Failure to satisfy the Minimum Daily Cash Balance Test constitutes an event of default under the Syndicated Facility Agreement, which in turn entitles the TLB Lenders to instruct the agent under the Syndicated Facility Agreement to demand immediate repayment of the TLB debt from the Company and to, among other things, appoint a receiver and manager to the Company's secured assets.

There are a number of other circumstances under which the TLB Lenders may terminate the RSA. Should termination for any of these reasons occur, the Asset Coverage Ratio would be tested on 30 June 2016, as is usually the case under the Syndicated Facility Agreement. If the Company were to fail to meet the Asset Coverage Ratio test, an event of default under the Syndicated Facility Agreement would occur, which would in turn entitle the TLB Lenders to instruct the agent under the Syndicated Facility Agreement to demand immediate repayment of the TLB debt from the Company and to, among other things, appoint a receiver and manager to the Company's secured assets.

The circumstances under which the TLB Lenders may terminate the RSA include, but are not limited to, the following:

- (a) A material adverse change to the ability of Atlas to implement the Financial Restructuring by 30 April 2016 occurs.
- (b) Atlas suspends all or substantially all of its mining operations.
- (c) Atlas fails to provide the Creditors' Scheme documents to the TLB Lenders by 12 February 2016. Atlas complied with this requirement.
- (d) An insolvency event, as that term is defined in the RSA, occurs in respect of the Company (except to the extent contemplated by the Financial Restructuring).
- (e) The Financial Restructuring is not implemented by the Long Stop Date, namely 30 April 2016.
- (f) Certain proceedings are commenced against the Company and are not withdrawn or terminated for a prescribed period.
- (g) The Atlas Board adversely changes or withdraws its recommendation in respect of the Financial Restructuring.
- (h) Breach of a representation, warranty or covenant occurs under the RSA.
- (i) If Atlas is not notified that the Amended Syndicated Facility Agreement is satisfactory to a specified majority of the TLB Lenders by the date on which Atlas obtains Court orders convening the Scheme Meeting.

Shareholders should note that the Company's ongoing obligations under the existing Syndicated Facility Agreement governing the TLB continue to apply during the Restructuring Period, except as altered by the Agreements.

Further details about the termination rights under the Agreements are set out in Schedule 3 to this Notice.

It is also important to note that, under the RSA, the parties agreed to negotiate and include a financial maintenance covenant in the Amended Syndicated Facility Agreement, and this is the Agreed Minimum Cash Covenant described earlier in Section 1.5.1. Compliance with the Agreed Minimum Cash Covenant is subject to the same risks as those set out above in respect of the Minimum Daily Cash Balance Test.



1.5.3 Further information about the Financial Restructuring and Creditors' Scheme

Further details regarding the Financial Restructuring, the Creditors' Scheme and the implications for the Company are set out in Section 2, as well as the Schedules to this Notice. Further details are also included in the announcement released on ASX on 23 December 2015.

Shareholders are also encouraged to monitor the ASX company announcements platform and Atlas' website for any announcements that are relevant to the Financial Restructuring made by the Company between the Last Practicable Date and the date of the Meeting. For example, the independent expert's report being prepared by PPB Advisory for the purposes of the Creditors' Scheme is expected to be made available on the ASX company announcements platform and Atlas' website; however, Shareholders are reminded that such a report has been commissioned to consider only the interests of TLB Lenders and Subordinate Claim Holders.

These further announcements can be found on ASX's website at www.asx.com.au (under ASX Code: AGO) and on the Company's website at www.atlasiron.com.au. Shareholders may also request hard copies of any announcements made during this time and will be provided with such hard copies by the Company free of charge.

2. Resolution 1 – Approval to issue New Shares and New Options under the Financial Restructuring

2.1 Background to Resolution 1

As set out in section 1.1 above, pursuant to the Financial Restructuring and subject to Shareholder approval of Resolution 1, the TLB Lenders will be issued New Shares and New Options such that, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, they will hold approximately 70% of the Company's total Shares and total Options then on issue.

Based on the issued capital at the date of this Notice, the Company would be required to issue 6,229,503,121 New Shares and 4,513,986,297 New Options to the TLB Lenders. Should the Company issue Shares and/or Options after the date of this Notice, but before the date of implementation of the Financial Restructuring, the Company would be required to issue more than 6,229,503,121 New Shares and 4,513,986,297 New Options to the TLB Lenders such that the TLB Lenders, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, hold approximately 70% of the Company's total Shares and total Options on issue. Accordingly, Resolution 1 seeks Shareholder approval for the issue of the maximum number of New Shares and New Options as is ultimately required by applying the formula described in section 2.2(a) below of this Notice, and also seeks Shareholder approval for the issue of Shares on exercise of New Options.

2.2 Information required by ASX Listing Rule 7.3

The information set out below has been included in this Explanatory Memorandum to comply with the content requirements prescribed by ASX Listing Rule 7.3.

- (a) **Maximum number of securities to be issued:** Based on the issued capital at the date of this Notice, the minimum number of securities to be issued to the TLB Lenders is 6,229,503,121 New Shares and 4,513,986,297 New Options. Should the Company issue Shares and/or Options after the date of this Notice, but before the date of implementation of the Financial Restructuring, the Company will be required to issue more than 6,229,503,121 New Shares and 4,513,986,297 New Options to the TLB Lenders such that the TLB Lenders, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, hold no more than 70% of the Company's total Shares and total Options then on issue.

FORMULA to calculate the ultimate number of securities required to be issued under Resolution 1

$$B = A/0.3 - A$$

A is the number of Shares or Options (as applicable) on issue at the date the Financial Restructuring is implemented.

B is the number New Shares or New Options to be issued under the Financial Restructuring.



Worked examples of the application of this formula follow for illustrative purposes:

	Example 1 – Securities on issue at date of this notice (no additional issues of securities prior to Implementation)	Example 2 – 300 million Shares and 300 million Options issued prior to Implementation in addition to the Securities on issue at date of this notice
Shares		
Existing Shares	2,669,787,052	2,969,787,052
New Shares to be issued under the Financial Restructuring	6,229,503,121	6,929,503,121
Shares on issue immediately post Financial Restructuring	8,899,290,173	9,899,290,173
Options		
Existing Options	1,934,565,556	2,234,565,556
New Options to be issued under the Financial Restructuring	4,513,986,297	5,213,986,297
Options on issue immediately post Financial Restructuring	6,448,551,853	7,448,551,853

- (b) **Issue and allotment date:** The New Shares and New Options will be issued under the Creditors' Scheme and otherwise in accordance with the Financial Restructuring, and will be issued no later than 3 months after the date of the Meeting. It is intended that the issue will occur in accordance with the timetable in section 1.4.
- (c) **Issue price:** The New Shares will be issued at a deemed, fixed issue price of USD1.94 cents per New Share. This fixed, US dollar denominated issue price is based on the TLB Lenders converting ~USD\$121.1 million (approximately A\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00) of TLB debt into New Shares and assuming that 6,222,503,121 New Shares are ultimately required to be issued. Should the formula described above require that more than 6,222,503,121 New Shares are issued to the TLB Lenders, the deemed issue price would be lower (see further discussion about this below).

The New Options will be issued at a nil issue price, and will be exercisable on payment of the Exercise Price (7.5 Australian cents per New Option) and otherwise on the terms and conditions described in Schedule 2 to this Notice.

Should the Company issue Shares and/or Options after the date of this Notice, but before the date of implementation of the Financial Restructuring, the Company would be required to issue more than 6,222,503,121 New Shares and 4,513,986,297 New Options to the TLB Lenders such that the TLB Lenders, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, will hold approximately 70% of the Company's total Shares and total Options on issue.

If the number of New Shares and New Options ultimately required to be issued to the TLB Lenders changed, the deemed issue price of the Shares would also change. Atlas does not propose to issue Shares or Options between the date of this Notice and the proposed date of issue of the New Shares and New Options, nor does it expect to be otherwise required to do so. If Atlas was required to do so, it would announce this and the effect on the Issue Price on ASX as soon as possible.



Of course, the deemed, fixed issue price of the New Shares in Australian dollar terms will be determined by the US dollar / Australian dollar exchange rate prevailing at the date of issue of the New Shares and New Options. See below scenario analysis by way of illustration of this.

FORMULA to calculate the deemed, fixed issue price of the New Shares (in Australian dollar terms)

$$D = (\text{USD\$121.1 million}/C) / B$$

B is the number of New Shares ultimately required to be issued under the Financial Restructuring.

C is the US dollar / Australian dollar exchange rate as at 5.00pm (Western Australian time) on the date the Financial Restructuring is implemented.

D is the deemed, fixed issue price of the New Shares (in Australian dollar terms).

Examples of the application of this formula:

	Example – Securities on issue at date of this notice (no additional issues of securities prior to Implementation)	
Existing Shares	2,669,787,052	
New Shares to be issued under the Financial Restructuring	6,229,503,121	
Shares on issue immediately post Financial Restructuring	8,899,290,173	
Deemed issue price of New Shares (US cents per New Share)	1.94	1.94
US dollar / Australian Dollar exchange rate	USD\$0.72=A\$1	USD\$0.65=A\$1
Deemed issue price of New Shares (Australian cents per New Share)	2.70	2.99

While the Issue Price is fixed at USD1.94 cents, as is apparent from the above examples, the Issue Price (in Australian dollar terms) will necessarily be determined by reference to a number of variables. These are:

- the final Australian dollar equivalent to the US dollar denominated amount of TLB debt that will be reduced under the Financial Restructuring in exchange for the issue of New Shares and New Options. The US dollar denominated amount of TLB debt that will be reduced is that amount of principal owing under the Term Loan B which exceeds USD\$135,000,000 as at the date of implementation of the Creditors' Scheme. As at the date of this Notice, the amount of the US dollar denominated debt to be reduced under the Financial Restructuring is ~USD\$121.1 million (approximately A\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00). The Australian dollar equivalent will fluctuate depending on the prevailing US dollar / Australian dollar exchange rate at implementation; and
- the number of Shares on issue immediately prior to the issue of New Shares and New Options. This may change if the Company issues further Shares (including on any exercise of Options) after the date of this Notice, but before the date of implementation of the Financial Restructuring. Atlas does not propose to issue Shares or Options between the date of this Notice and the proposed date of issue of the New Shares and New Options, nor does it expect to be otherwise required to do so. Again, if Atlas was required to do so, it would announce this and the effect on the Issue Price on ASX as soon as possible.



Accordingly, for the purposes of ASX Listing Rule 7.3.3, the Company confirms that the Issue Price is USD1.94 cents.

In addition, the Issue Price represents a premium to the market price of Shares immediately prior to signing the RSA. By way of illustration, an Issue Price of USD1.94 cents per New Share (as contemplated above and which represents 2.70 cents (in Australian dollar terms) assuming an exchange rate of USD\$0.72 = A\$1.00) would represent a premium of over 50% to the closing price of Shares on 22 December 2015 (being the day prior to the RSA being signed), which was 1.70 cents in Australian dollar terms.

- (d) **Allottees:** The New Shares and New Options will be issued to the TLB Scheme Creditors (essentially the TLB Lenders who, at the date of implementation of the Financial Restructuring, are registered holders of TLB debt under the Syndicated Facility Agreement). As at the Last Practicable Date there are approximately 70 registered TLB Lenders. The New Shares and New Options will be issued to each TLB Scheme Creditor in proportion to the proportion of the US dollar denominated debt of ~US\$121.1 million (approximately A\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00) held by that applicable TLB Lender.

Based on the register of TLB holders as at the Last Practicable Date, Western Asset Management Company, Sankaty Advisors, LLC, Marathon Asset Management, Maru Sky Limited and Commonwealth Bank of Australia are expected to become substantial shareholders holding more than 5% of the total Shares on issue immediately following the issue of New Shares and New Options to the TLB Lenders. No one TLB Lender is expected to hold in excess of 20% of the total Shares on issue after the issue of their New Shares. However, there may be circumstances where a TLB Lender could come to hold in excess of 20% of the total Shares on issue if they were to retain all their New Shares, exercise some or all of their New Options and no other security holder exercises their Options.

- (e) **Terms of securities:** The New Shares will be issued on the same terms and conditions as the Company's existing Shares and rank equally with all other Shares then on issue. The New Options will be issued on the same terms and conditions as those Existing Quoted Options issued under the Company's prospectus dated 11 June 2015 (as supplemented by the supplementary prospectus dated 6 July 2015) save that:

- the expiry date of the New Options is 31 July 2017 (rather than 30 June 2017); and
- as a condition of exercise of the New Options, holders of New Options are required to provide a representation letter to the Company confirming that they are a person eligible to receive securities under the U.S. Securities Act. The form of representation letter is set out in the Annexure to Schedule 2 to this Notice.

The Company will apply to ASX for, and use its best endeavours to obtain, official quotation of all New Options in a new, separate class of listed Options. See Schedule 2 for a full summary of the terms and conditions attaching to the New Options.

- (f) **Use (or intended use) of funds:** No funds are being raised under the Financial Restructuring, which only contemplates the issue of New Shares and New Options to the TLB Lenders in exchange for a reduction in US dollar denominated debt of US\$121.1 million (approximately A\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00).

2.3 Directors' Recommendation

The Directors believe that Resolution 1 is in the best interests of the Company and its Shareholders, and unanimously recommend that Shareholders vote in favour of the Resolution.



Background to Directors' unanimous Recommendation

The Company's prospectus dated 11 June 2015 included in sections 1.5 and 12.4 the following in relation to the Company's indebtedness (in the disclosure about risks):

"Based on current forecasts (adopting the assumptions set out in Section 10.3.1.1 [of the prospectus]), Atlas estimates there will be a shortfall between the amount owing at the maturity date of the Term Loan B (December 2017) and the forecast cash on hand at that date. However, based on current forecasts and assumptions the Directors believe that the shortfall can be refinanced or rescheduled prior to the maturity date under the Term Loan B. The ability of the Company to repay or reschedule its Term Loan B debt obligations will improve in the event of a successful capital raising but is ultimately contingent on USD iron ore pricing and AUD:USD exchange rate outcomes, achievement of forecast cost outcomes and/or the ability of the Company to source additional funds through debt and equity markets.

In circumstances where market conditions deteriorate significantly against current forecasts issued by the independent economic forecasters used by the Company (particularly in relation to iron ore price and foreign exchange rates), the shortfall referred to above is likely to be greater. Accordingly, in these circumstances there would be significant uncertainty as to Atlas' ability to fully repay, refinance or reschedule the outstanding debt under the Term Loan B at the maturity date and therefore the Company's ability to continue as a going concern."

In the second half of calendar 2015, prior to entry into the Agreements, with volatile iron ore prices and anticipated movements in the US dollar / Australian dollar exchange rate, there was a risk (but not a certainty) of the Company not meeting the Asset Coverage Ratio test as at 31 December 2015. As announced with the Company's half year results released on 23 February 2016, the Company passed the Asset Coverage Ratio test as at 31 December 2015. Despite this, having regard to the volatile iron ore pricing conditions, the Directors consider that there is a high risk that the Company would not be able to comply with the Asset Coverage Ratio test on 30 June 2016, unless the Financial Restructuring is implemented. Of course, if the Financial Restructuring is implemented, the Asset Coverage Ratio will no longer apply to the Company under the Amended Syndicated Facility Agreement (however, as mentioned above in section 1.5.1(c), it will be replaced with the Agreed Minimum Cash Covenant in the Amended Syndicated Facility Agreement).

During 2015 the Directors carefully considered a number of financing and refinancing options (and continue to do so in the proper discharge of their duties to the Company). As at the date of the Agreements, the Company had not received any offers to fund the repayment of TLB debt or provide equity capital, and there was a high risk that sourcing additional capital from the equity capital markets would not be possible in the near term. While the equity capital markets may change in 2016, with volatile commodity markets there is no certainty that the Company will be in a position to source additional capital from the equity capital markets in 2016.

In more detail, the Directors have considered the following alternatives to the Creditors' Scheme:

- **Consensual restructuring**

Under the Syndicated Facility Agreement, the unanimous consent of the TLB Lenders is required to effect the steps proposed to be taken under the Creditors' Scheme to implement the Financial Restructuring.

Between October 2015 and February 2016, the Company sought the TLB Lenders' consent to restructure the Company's obligations under the Syndicated Facility Agreement on terms which were substantially the same as those the subject of the Creditors' Scheme.

The Company has not been able to obtain the unanimous consent of the TLB Lenders to implement a consensual restructuring of the various obligations under the Syndicated Facility Agreement.

As a consequence, the Company considers that the only available option to restructure its obligations under the Syndicated Facility Agreement (in the manner contemplated by the Financial Restructuring) is through the implementation of the Creditors' Scheme.



- **Refinancing**

While Atlas considered a number of refinancing options during 2015, as at the date of this Notice, Atlas has not received any offers to refinance its current indebtedness that are capable of acceptance or completion. Obviously it is very difficult to secure refinancing when Atlas continues to incur losses due to low iron ore prices.

To avoid any doubt, if the Financial Restructuring is not implemented, the TLB debt must be repaid in full by its (current) December 2017 maturity date unless it can be successfully refinanced or otherwise restructured before that time.

As at 31 December 2015, Atlas' gross debt position was US\$259.3 million. As previously disclosed in Atlas' prospectus dated 11 June 2015 and which continues to be the case:

- (i) this level of indebtedness is high for a Company like Atlas in the current iron ore market;
- (ii) based on current forecasts, without the implementation of the Financial Restructuring on its terms, Atlas estimates that there would likely be a shortfall between the amount owing at the maturing of the TLB debt and Atlas' forecasted cash balance at that date.

Under the Amended Syndicated Facility Agreement contemplated by the Financial Restructuring (among other things), the maturity date of the TLB will be extended to 2021 and the principal amount of the Term Loan B debt reduced to US\$135 million.

The Directors refer to Note 3(i) on page 19 of the Half Year Report released by Atlas on 23 February 2016, which provides that the financial statements for the period ended 31 December 2015 have been prepared on a going concern basis on the grounds that the Directors believe that the Creditors' Scheme will be implemented. Extracting the detail from that Half Year Report:

- (i) The Company prepares rolling 12 month cash flow forecasts, which are subject to a number of assumptions (these are set out in Note 3(i) on page 19 of the Half Year Report). Notably, these assumptions include *"the successful restructure and reduction of the TLB debt, which leads to significantly reduced interest payments and debt covenants consistent with a maturity assumed to be in 2021"* (as is contemplated by the Financial Restructuring and the Amended Syndicated Facility Agreement).
- (ii) The Company's cash flow forecast to February 2017 indicates a positive working capital balance through that period, but this is highly dependent on a number of factors, including achievement of anticipated iron ore pricing, exchange rate forecasts, the achievement of forecast operating cost outcomes and the success of the Financial Restructuring.

Accordingly, separate to the high risk of breaching the Asset Coverage Ratio in the future and the likely action that would be taken by the TLB Lenders in those circumstances, the Directors believe that there is a high risk that a satisfactory, alternative refinancing or restructuring proposal in respect of the Term Loan B will not be able to be sourced in the months after the date of the Meeting and that the consequences of this for the Company's ability to continue as a going concern are significant.

- **Capital raising**

On 11 June 2015 the Company issued a prospectus to raise additional equity capital up to a maximum amount of A\$180 million. The Company received valid applications for approximately A\$87 million under that capital raising.

Given the proximity to the Company's most recent capital raising, current equity capital market fluctuations, the subsequent and continuing volatility in iron ore pricing conditions and other prevailing market conditions, the Directors do not consider that a further capital raising exercise at this stage or in the near term would raise enough funds to address the Company's current requirements.



As set out in section 2.2(c) of this Notice, the Issue Price of the New Shares is expected to represent a premium of over 50% to the market price of Shares immediately prior to signing the RSA. Because of that premium, the dilutionary impact of the proposed issue of New Shares and New Options is countered somewhat when compared to what the result might be under an equivalent issue of Atlas securities using a more traditional capital raising structure (eg a rights issue). This is because the issue price under such a structure would typically be set at a discount to the recent price of Shares.

At the date of this Notice, the Company has still not received any offers to fund the repayment of TLB debt or provide equity capital. The RSA expressly contemplates that Atlas is entitled to terminate that Agreement if the Directors determine, in good faith, that they must terminate it in order to comply with their fiduciary duties.

While the Directors recognise that considerable dilution of Shareholders' holdings in the Company is certainly not ideal, in the circumstances prevailing in the lead up to and as at the date of entry into the Agreements, where:

- (a) market conditions had continued to be volatile and deteriorated significantly;
- (b) the anticipated forward curve on the iron price indicated potentially lower iron prices in the first half of 2016; and
- (c) the forecasts issued by the independent economic forecasters used by the Company (in relation to iron ore price and foreign exchange rates) were predicting lower long term prices,

the uncertainty as to Atlas' ability to:

- (a) operate a sustainable business model;
- (b) pay its interest costs under the Term Loan B; and
- (c) fully repay, refinance or reschedule the outstanding debt under the Term Loan B at the maturity date,

had increased substantially and to a point where the Directors believed that they were, and continue to be, required to take decisive action in the best interests of the Company. This is despite considerable cost reductions achieved by the Company to date under the "Contractor Collaboration Model" established with the Company's key contractors in May of 2015, as fully described in Atlas' prospectus dated 11 June 2015.

It was on this basis that the Directors took the decision to agree the Agreements and pursue the Financial Restructuring. When the risks associated with the Company not meeting the Asset Coverage Ratio covenant going forward into 2016 are viewed in conjunction with the lack of any certainty that the Company will be able to access meaningful capital from the equity capital markets in the near term, the Directors believe that the Agreements are in the best interests of the Company and its Shareholders and, accordingly, that the issue of New Shares and New Options contemplated should proceed so as to enable the Financial Restructuring to be implemented by way of the Creditors' Scheme. As discussed in this Notice, in circumstances where Shareholders do not approve Resolution 1 or where the Financial Restructuring is otherwise not implemented, the financial implications for Atlas will be material and may culminate in an insolvency event for the Company. In these circumstances, the Directors would need to consider the Company's available options, some of which are set out in section 2.4 below. Accordingly, it is the Directors' view that the Shareholders having a continued interest in a solvent Company (albeit diluted in the manner set out in this Notice) represents a better outcome for Shareholders than if the Financial Restructuring were not implemented and the potential consequences outlined in section 2.4 followed. See sections 2.4 and 2.5 of this Notice for further detail.

As result, the Directors unanimously recommend that Shareholders vote in favour of the Resolution 1 to enable the Company to implement the Financial Restructuring.

It should also be noted that the Company's Managing Director, Mr David Flanagan, was issued 20,911,333 unlisted options, exercisable for nil consideration, in November 2015 in his capacity as an employee following Shareholder approval at the Company's 2015 AGM. As outlined in the notice of meeting for the 2015 AGM, these options will vest should the Creditors' Scheme be approved and become effective. All other employees of the Company received unlisted options on the same terms and at the same time as they were received by Mr Flanagan.



2.4 Potential consequences of Shareholders not approving Resolution 1 and why it is the interests of Shareholders to approve Resolution 1

Termination of the Agreements and retesting of the Asset Coverage Ratio covenant

If Resolution 1 is not approved by Shareholders, it is likely that the RSA will terminate and those benefits of the Financial Restructuring, as described in this Notice, will not eventuate. As mentioned, there is a high risk that the Company would not be able to comply with the Asset Coverage Ratio test on 30 June 2016, unless the Financial Restructuring is implemented.

It is the Directors' belief that if Atlas were to fail to comply with the Asset Coverage Ratio on 30 June 2016 the TLB Lenders would instruct the agent to demand immediate payment by Atlas of the amount owing to the TLB Lenders under the Syndicated Facility Agreement, and appoint a receiver and manager to the secured assets of Atlas.

This belief is based on the following matters:

- (a) First, the negotiation and execution of the RSA by a majority of TLB Lenders holding more than 75% of the debt owed by Atlas to the TLB Lenders under the Syndicated Facility Agreement. Atlas is of the view that the TLB Lenders would not agree to swap a portion of the debt owed to them for equity in circumstances in which they did not intend to enforce their rights upon the occurrence of an event of default under the Syndicated Facility Agreement. Further, TLB Lenders in excess of the majority required to instruct the agent to demand immediate payment of the debt owed by Atlas to the TLB Lenders under the Syndicated Facility Agreement and to appoint a receiver and manager to the secured assets of Atlas executed the RSA.
- (b) Second, the past conduct of the TLB Lenders; which includes the TLB Lenders seeking to assert their views as to Atlas' solvency, what the duties of Atlas' directors require and what steps should be taken by Atlas from time to time to facilitate the TLB Lenders pursuing their rights under the Syndicated Facility Agreement.

In proposing the Creditors' Scheme and putting Resolution 1 to Shareholders, the Board has been principally motivated by the following circumstances.

- (a) The ongoing losses experienced by Atlas. In its financial statements for the period ended 31 December 2015, which were released to ASX on 23 February 2016, Atlas recorded a statutory loss after tax of A\$114.3 million. In its half year period ended 31 December 2014, Atlas recorded a statutory loss after tax of A\$1,086 million.
- (b) Atlas' high leverage relative to its earnings.
- (c) The high risk that Atlas will breach the Asset Coverage Ratio in the future and the belief that, if this were to occur, the TLB Lenders would instruct the Agent to demand immediate repayment of the debt owed by Atlas to the TLB Lenders and appoint a receiver and manager to the secured assets of Atlas. The basis for this belief is outlined above.
- (d) The absence of alternatives available to Atlas. The Directors considered a number of options, as outlined in section 2.3 above, none of which the Board considers to be currently open to Atlas.

If Atlas were to fail to comply with the Asset Coverage Ratio on 30 June 2016 and the TLB Lenders instructed the agent to demand that the debt owed to them be repaid by Atlas immediately, Atlas would not be able to repay the debt.

Even if Atlas unexpectedly complies with the Asset Coverage Ratio on 30 June 2016, the TLB is due for repayment in full in 2017. Absent a very materially positive improvement in iron ore markets (which is not consistent with long range price forecasts) the TLB will become a current liability in December 2016 and the Board will have no reasonable basis to expect that it can refinance or repay the TLB when it becomes due. In such circumstances, Australian insolvent trading laws will require the Directors to consider whether to appoint voluntary administrators to Atlas well before the TLB becomes due. If the Directors appoint voluntary administrators to Atlas then it can be expected that the TLB lenders will appoint receivers to sell the secured assets of Atlas.



If the TLB Lenders were also to appoint receivers to the secured assets of Atlas, the Directors believe that there is a real risk that neither the sale of the business of Atlas as a going concern, nor the sale of its assets on a piecemeal basis, would yield funds sufficient to repay the debt owed to TLB Lenders. In such a scenario, the shareholders of Atlas would receive nothing.

The Directors believe that, despite the significant dilution of the holdings of the Shareholders that will result if Shareholders vote in favour of Resolution 1 and the Financial Restructuring is implemented, the risk that the TLB Lenders will take the actions outlined above, as a result of which the Directors believe the Shareholders will receive no return on their investment in Shares, is sufficiently high such that the interests of Shareholders would be better served by voting in favour of Resolution 1 and retaining an interest in Atlas than voting against it and potentially receiving nothing.

Of course, if the Financial Restructuring is implemented, the Asset Coverage Ratio will no longer apply to the Company under the Amended Syndicated Facility Agreement (however, as mentioned above in section 1.5.1(c), it will be replaced with the Agreed Minimum Cash Covenant in the Amended Syndicated Facility Agreement).

To reiterate, if the Company fails to meet the Asset Coverage Ratio covenant, this could result in the repayment of the TLB being accelerated, administrators being appointed or the TLB Lenders appointing a receiver or a receiver and manager to the secured assets of the Company. The Company's securities would, in normal circumstances, be suspended from quotation by ASX under any of those scenarios. The Company considers that there is a high risk that it will fail to satisfy the Asset Coverage Ratio covenant in the future if either Shareholder approval is not granted or the Creditors' Scheme is not implemented, or an alternative source of funding acceptable to the TLB Lenders is not found promptly.

Ongoing consequences – urgent need for funds

In addition to the Asset Coverage Ratio covenant (that will continue to be tested on 30 June and 31 December each year) and the consequences outlined above which the Directors believe will result if Atlas fails to comply with the Asset Coverage Ratio, if Resolution 1 is not approved by Shareholders, the Company's financial position is expected to become very uncertain.

In these circumstances and having regard to a number of factors, the Directors consider that:

- (a) there is a high risk that the Company will not satisfy the Asset Coverage Ratio covenant at 30 June 2016 (even before taking into account any impairments that are required to be recognised against the Company's assets);
- (b) failure to satisfy the Asset Coverage Ratio covenant would allow the TLB Lenders to instruct the agent under the Syndicated Facility Agreement to demand immediate repayment of the TLB debt;
- (c) it is unlikely that the Company would have sufficient liquidity or be able to raise sufficient capital or external finance to repay the TLB debt in such a short timeframe (see further below about available options); and
- (d) following on from the above, an insolvency event would be likely to occur with respect to the Company.

Accordingly, the Directors would need to carefully consider the Company's available options, including but not limited to the following:

- (a) appointing a voluntary administrator. This could result in the TLB Lenders and other secured creditors appointing a receiver or a receiver and manager to the secured assets of the Company. The Company's securities would, in normal circumstances, be suspended from quotation by ASX if this were to occur; and



- (b) needing to urgently seek funding from alternate sources to repay some or all of the TLB debt. At the date of this Notice, the Company has not received any offers to fund the repayment of TLB debt and there is a high risk that this would not be possible in the months after the date of the Meeting, should the iron ore pricing environment continue to be volatile and deteriorate. Furthermore, the Company's ability to raise sufficient funds by way of asset sales or capital raisings is similarly uncertain and will continue to be constrained by the volatile iron ore pricing environment and by the outlook for equity capital markets (in particular for resource companies) throughout 2016.

Furthermore, if Resolution 1 is not approved by Shareholders, there is a risk that the Company may not be able to satisfy:

- (a) ASX that its financial condition is sufficient to permit continued trading of the Company's Shares and Existing Quoted Options on ASX. The Company's Shares and Existing Quoted Options may be suspended from trading on ASX until a revised debt restructuring proposal could be agreed and implemented; and/or
- (b) either the Directors and/or its auditors, KPMG, that Atlas' financial condition is sufficient to prepare financial statements on a going concern basis. Should KPMG issue a going concern qualification to the Company's accounts, the Directors may need to consider appointing a voluntary administrator and ASX may not permit trading of the Company's Shares and Existing Quoted Options on ASX. Again, the Company's Shares and Existing Quoted Options may be suspended from trading on the ASX until a revised debt restructuring Proposal could be agreed and implemented.

2.5 Potential implications if Shareholders approve Resolution 1 and the Creditors' Scheme is implemented

The principal objects and purposes of the Financial Restructuring, to be implemented by way of the Creditors' Scheme, are to reduce the total debt owing by the Company to the TLB Lenders, as described in this Notice.

As mentioned in this Notice, certain TLB Lenders agreed to support, facilitate, implement and consummate the Financial Restructuring by executing the RSA (for the purposes of this section 2.5, we refer to this subset of the TLB Lenders as the "**RSA Lenders**"). The RSA will fall away on implementation of the Financial Restructuring, but the Amended Syndicated Facility Agreement will operate from that time.

The reasons why your Directors unanimously recommend that Shareholders vote in favour of Resolution 1 are discussed in section 2.3 of this Explanatory Memorandum.

However, Shareholders should also consider the following when deciding whether or not to vote in favour of Resolution 1:

(a) **Issue of New Shares and New Options and the significant dilutive impact of the Creditors' Scheme**

If Resolution 1 is approved by Shareholders and the Financial Restructuring is successfully implemented:

- the TLB Lenders will each be issued New Shares and New Options; and
- on and from implementation of the Creditors' Scheme, each TLB Lender will be a Shareholder and holder of New Options, as well as a TLB Lender under the terms of the Amended Syndicated Facility Agreement.

Following on from the above, there will be a significant dilution in the proportionate interests of Shareholders as a result of the proposed issue of New Shares and New Options to the TLB Lenders under the Creditors' Scheme. Subject to Shareholder approval of Resolution 1, the TLB Lenders will be issued New Shares and New Options such that, immediately post the Financial Restructuring and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, they will hold approximately 70% of the Company's total Shares and Options then on issue. The dilutive impacts are set out more fully in section 1.3 of the Explanatory Memorandum.



By way of illustration and with reference to Shares only, the voting power of Atlas' current Shareholders will be diluted from holding, in aggregate, 100% of the total issued Shares (before the issue of New Shares and New Options) to 30% (following the issue of New Shares and New Options on and subject to implementation of the Financial Restructuring by way of the Creditors' Scheme).

(b) **Director appointments and potential to exercise significant influence**

There is no current or anticipated arrangement or understanding pursuant to which the TLB Lenders as Shareholders or the New Directors have agreed to act in a consistent or collective manner. As mentioned, each TLB Lender (including each RSA Lender) will be a Shareholder and holder of New Options, as well as a TLB Lender under the terms of the Amended Syndicated Facility Agreement. Similarly, each New Director will be required to individually discharge their respective duties as directors to act in the best interests of the Company in accordance with the requirements of applicable law.

As described in section 1.5.1(e) of this Notice, on implementation of the Creditors' Scheme, the New Directors will be appointed as directors of Atlas and two of the existing Directors (other than David Flanagan and Cheryl Edwardes) will resign.

From their appointment to the Board, the New Directors will be required to discharge their duties as directors to act in the best interests of the Company in accordance with the requirements of applicable law. Furthermore, as a condition to their respective appointments, the New Directors will be required to provide Atlas with signed consents to act, and also sign a letter of appointment that contemplates Atlas' procedures and policies regarding management of actual or perceived conflicts of interest and confidentiality, among other things, and requires that the New Director acknowledge and adopt those procedures and policies. Those procedures and policies are available at the Company's website and on ASX, as they are adopted and updated from time to time.

To the extent that any of the New Directors are characterised as "nominees" of one or more of the TLB Lenders, those New Directors will be specifically bound by the processes contemplated by the appointment letter (and appropriate protocols annexed to that appointment letter) to assist any nominee New Director and Atlas to manage conflicts and confidentiality issues in the best interests of the Company.

The TLB Lenders have nominated Mr Alan J Carr, Mr Eugene I Davis and Mr Daniel Harris as the New Directors, who will be appointed to the Board at implementation of the Financial Restructuring.

Information about the New Directors is set out in below.

New Director	Details
Mr Alan J Carr	<p>Mr Carr is an investment professional with 20 years' experience with investing in and leading complex financial restructurings globally, as well as serving on boards of directors. He is currently the Chief Executive Officer of Drivetrain LLC, which he founded in 2013. Mr Carr also served as Managing Director at Strategic Value Partners UK LLP from 2003 to 2013. Prior to these positions, Mr Carr worked as an attorney at Skadden, Arps, Slate, Meagher & Flom, and at Ravin, Sarasohn, Baumgarten, Fisch & Rosen, specialising in corporate restructuring.</p> <p>Mr Carr currently serves as a director of Tanker Investments Ltd, Midstates Petroleum Company, Inc., Brookfield DTLA Fund Office Trust Investor Inc, NewPage Corporation and Syncora Holdings Ltd. He also served on the board of directors of LightSquared Inc from 2013 to 2015. Mr Carr has served on various boards of other private companies in North America, Europe and Asia.</p> <p>Mr Carr holds a Juris Doctor, cum laude, from Tulane Law School, New Orleans, USA and a Bachelor of Arts in Economics and Sociology from Brandeis University, Waltham, MA, USA.</p>



New Director

Details

Mr Eugene I Davis

Mr Davis is the founder, Chairman and Chief Executive Officer of PIRINATE Consulting Group, LLC, a privately held consulting firm specialising in turnaround management, merger and acquisition consulting, hostile and friendly takeovers, proxy contests and strategic planning advisory services for domestic and international public and private business entities.

Since forming PIRINATE in 1999, Mr Davis has advised, managed and served as a Chief Executive Officer, Chief Restructuring Officer, Director, Committee Chairman and Chairman of the board of a number of businesses operating in diverse sectors including metals, energy, oil & gas, import-export, mining and transportation and logistics. Previously, Mr Davis served as Chief Executive Officer of Total-Tel Communications, President, Vice Chairman and Director of Emerson Radio Corporation and Chief Executive Officer and Vice Chairman of Sport Supply Group, Inc. Mr Davis is also a director of Spectrum Brands, Inc., U.S. Concrete, Inc., WMI Holdings Corp, Hercules Offshore, Inc., and Genco Shipping & Trading Ltd.

Mr Davis began his career as an attorney and international negotiator with Exxon Corporation and Standard Oil Company (Indiana), and has also been as a partner at two Texas-based law firms, specialising corporate and securities law.

Mr Davis holds a bachelor's degree from Columbia College, a master of international affairs degree in international law and organisation from the School of International Affairs of Columbia University, and a Juris Doctor from the Columbia University School of Law, USA.

Mr Daniel Harris

Mr Harris brings a wealth of mining and resources industry experience to Atlas from a career spanning more than 35 years, having worked previously as Chief Executive Officer and Chief Operating Officer of Atlantic Ltd and Strategic Minerals Corporation's (formerly Union Carbide) vanadium business. Mr Harris has also worked for Evraz in Moscow as Vice President, Vanadium Assets. Mr Harris is currently an independent technical and executive consultant to GSA Environmental Limited in the United Kingdom.

Mr Harris holds a Bachelor of Science, Chemical Engineering from the University of Nevada, USA and is a graduate of the Executive Development Program at the Kellogg School of Management at Northwestern University, USA.

(c) Effect on rights of Subordinate Claim Holders and other consequences of the Creditors' Scheme

The steps required to implement the Creditors' Scheme are set out in Schedule 5 to this Notice.

These steps provide further detail about the effect of the Creditors' Scheme on Atlas and its Shareholders, and the effect on Subordinate Claims and Subordinate Claim Holders, and should be carefully considered by Shareholders in determining whether to vote in favour of Resolution 1.

To recap, in broad terms, a "Subordinate Claim" is a claim:

- (i) for a debt owed by the Company to a person in the person's capacity as a Shareholder (whether by way of dividends, profits or otherwise); or
- (ii) that arises from buying, holding, selling or otherwise dealing in shares in the Company,



against the Company in respect of any fact, matter, circumstance or event that has arisen or occurred at any time prior to the implementation "Step 12" of the Creditors' Scheme.

Subordinate Claims, and the rights of any Subordinate Claim Holders, are only brought within the application of the Creditors' Scheme to the extent that the fact, matter, circumstance or event giving rise to the applicable Subordinate Claim has arisen or occurred prior to the implementation of "Step 12" of the Creditors' Scheme. See further detail in Schedule 5 to this Notice, under "Step 12".

As at the Last Practicable Date, the Company is not aware of any claim that would be characterised as a Subordinate Claim for these purposes.

In relation to the effect of the Creditors' Scheme on Subordinate Claims and the rights of Subordinate Claim Holders (should any eventuate), the following should be borne in mind.

While the rights of any Subordinate Claim Holders are to be compromised as part of the Creditors' Scheme (see further in section 1.5.1(f) of this Notice), it is the Directors' view that there will be a limited effect, if any, on the amounts that Subordinate Claim Holder would ultimately be able to recover under any Subordinate Claim, at least for so long as the Company's financial position remains largely consistent with that anticipated as at implementation of the Creditors' Scheme. The reason for this is, if the Creditors' Scheme is not implemented, an insolvency event would be likely to occur with respect to the Company, as mentioned in section 2.4 of this Notice. In these circumstances, if an external administrator was appointed to the Company, there would be a shortfall against the claims of the TLB Lenders. Accordingly, there would be no funds available to pay Subordinate Claims (if any), other than any funds available to Subordinate Claim Holders by payment of the Net Proceeds.

In summary, the payment that could be made to any Subordinate Claim Holder in excess of Net Proceeds is expected to be the same (that is, nil), regardless of whether the Creditors' Scheme is implemented and for so long as the Company's financial position remains materially the same as that anticipated to be the case as at implementation of the Creditors' Scheme.

3. Action to be taken by Shareholders

The Directors recommend that Shareholders should read this Explanatory Memorandum carefully and in full before deciding how to vote on Resolution 1.

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to sign and return the Proxy Form to the Share Registry in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Shareholders are also encouraged to monitor the ASX company announcements platform and Atlas' website for any announcements that are relevant to the Financial Restructuring made by the Company between the Last Practicable Date and the date of the Meeting. For example, the independent expert's report being prepared by PPB Advisory for the purposes of the Creditors' Scheme is expected to be made available on the ASX company announcements platform and Atlas' website; however, Shareholders are reminded that such a report has been commissioned to consider only the interests of TLB Lenders and Subordinate Claim Holders.

These further announcements can be found on ASX's website at www.asx.com.au (under ASX Code: AGO) and on the Company's website at www.atlasiron.com.au. Shareholders may also request hard copies of any announcements made during this time and will be provided with such hard copies by the Company free of charge.



Schedule 1

Definitions

In this Explanatory Memorandum, the Notes, the Notice and the Proxy Form:

"Agreed Minimum Cash Covenant" means the financial covenant to be included in the Amended Syndicated Facility Agreement that requires Atlas to maintain a minimum cash balance, being A\$35 million plus 50% of the aggregated amount outstanding under any prescribed trade finance facility, at the end of each calendar month after the Creditors' Scheme is implemented until the maturity of the TLB debt. This is described in more detail in section 1.5.1(c) and Schedule 3 to this Notice.

"Agreements" collectively means the RSA and an amendment to the Syndicated Facility Agreement, as announced by the Company to ASX on 23 December 2015 and summarised in Schedule 3 to this Notice.

"Amended Syndicated Facility Agreement" means the amended form of the Syndicated Facility Agreement, which is proposed to be made effective by the Creditors' Scheme.

"Amendment Documents" collectively means the:

- Amended Syndicated Facility Agreement; and
- amendment deed, which amends the general security deed dated 10 December 2012 between, among others, the Company and Credit Suisse AG (Sydney branch).

"ASIC" means the Australian Securities & Investments Commission.

"Asset Coverage Ratio covenant" or **"Asset Coverage Ratio test"** – means the obligation in the Syndicated Facility Agreement that requires the Company to test semi-annually whether its total assets to secured debt ratio is greater than 2 to 1 (such ratio being referred to as the **"Asset Coverage Ratio"**).

"ASX" means ASX Limited (ACN 008 624 691) or the financial market operated by it (the Australian Securities Exchange), as the context requires.

"ASX Listing Rules" means the official listing rules of ASX, as waived or modified by ASX in respect of the Company.

"becoming effective" (or any grammatical variation of that term) means, when used in the context of the Creditors' Scheme, the lodgement of the Second Court Order with ASIC.

"Board" means the board of Directors.

"Company" or **"Atlas"** means Atlas Iron Limited ABN 63 110 396 168 and, where the context requires it, its subsidiaries and/or the Obligors.

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Creditors' Scheme" means the Creditors' Scheme of Arrangement that will be proposed pursuant to section 411 of the Corporations Act in order to implement the Financial Restructuring if the Financial Restructuring does not receive the unanimous support of the TLB Lenders.

"Court" means the Federal Court of Australia (New South Wales Division) or such other court of competent jurisdiction.

"Director" means a director of the Company.

"Effective Date" means the date on which each of the conditions precedent to the Creditors' Scheme have been satisfied and court orders approving and giving effect to the Creditors' Scheme have been lodged with ASIC.

"Exercise Price" has the meaning given in clause 1 of Schedule 2.

"Existing Quoted Options" means the Options issued by Atlas under the prospectus dated 11 June 2015, which are admitted to quotation on ASX under ticker "AGOO".

"Explanatory Memorandum" means the explanatory memorandum to the Notice.

"FATA" means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

"Finance Documents" means each of the Syndicated Facility Agreement and certain other security documents related to the Syndicated Facility Agreement.



"Financial Restructuring" means the agreements and proposed debt refinancing package agreed between Atlas and certain of the TLB Lenders where Atlas has agreed to repay an amount of US\$10 million to the TLB Lenders and issue the New Shares and the New Options to the TLB Lenders in exchange for a reduction in US dollar denominated debt of approximately US\$121.1 million (approximately A\$168.2 million assuming an exchange rate of USD\$0.72 = A\$1.00), among other things.

"First Court Date" means the first date of the hearing of an application for the order of the Court convening the Scheme Meeting or, if that application is adjourned, the first date to which the hearing is adjourned.

"Issue Price" means the price at which the New Shares are issued pursuant to Resolution 1, which is fixed at 1.9439838 US cents (the Australian cents equivalent of which will be determined by reference to the US dollar / Australian dollar exchange rate prevailing at the date of issue of the New Shares and New Options). See section 2.2(c) of this Notice for further details. For ease of reference, in the balance of this document the Issue Price is rounded to 1.94 US cents.

"Key Management Personnel" means those people having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. Key Management Personnel includes the Company's executive and non-executive Directors.

"Last Practicable Date" means Friday, 18 March 2016.

"Long Stop Date" means 30 April 2016.

"Lump" means the iron ore product produced by the Company containing approximately 58% Fe with a size of generally in the range between 6.3mm and 40mm.

"Meeting" means the general meeting of Shareholders convened by the Notice, and for the avoidance of doubt, any meeting arising from the adjournment or postponement of the Meeting.

"Minimum Daily Cash Balance Test" means the requirement that during the Restructuring Period, the existing Syndicated Facility Agreement will be amended to include a covenant that cash is not to fall below A\$55 million on any day (less any principal and interest paid on or after 25 March 2016 or later). This requirement will be tested at the close of each business day.

"Net Proceeds" has the meaning given in section 1.5.1(f) of this Notice.

"New Options" means Options that may be issued under Resolution 1 and issued on the terms set out in Schedule 2, which entitle the holder to subscribe for one Share for every one New Option held.

"New Senior Secured Term Loan" means the US\$135 million loan under the Amended Syndicated Facility Agreement to be entered into by the Company and the TLB Lenders on the terms contemplated by Schedule 3 to the Notice as part of the Financial Restructuring.

"New Shares" means Shares that may be issued under Resolution 1.

"New Director" means a person nominated by the TLB Lenders to act as a Director, in accordance with the terms of the Creditors' Scheme.

"Notes" means the notes accompanying and forming part of the Notice.

"Notice" means this notice of general meeting and includes, unless the context requires otherwise, the Explanatory Memorandum.

"Obligor" means each of the Company, Atlas America Finance, Inc. and each other "Guarantor" as that term is defined in the Syndicated Facility Agreement including:

- Atlas Operations Pty Ltd ACN 122 835 947;
- Aurox Resources Pty Ltd ACN 106 793 560;
- Australian Manganese Pty Ltd ACN 100 061 854;
- Ferraus Pty Limited ACN 097 422 529;
- Ferro Metals Australia Pty Ltd ACN 113 996 106;
- Giralia Resources Pty Ltd ACN 009 218 204;
- Warwick Resources Pty Ltd ACN 063 506 963; and
- South East Pilbara Assets Pty Ltd ACN 152 057 022.

"Option" means an option to acquire a Share.



"Paid in Kind" means, in the context of the Amended Syndicated Facility Agreement, payment-in-kind where interest is not satisfied by payment of cash, but rather the interest is added to the principal debt outstanding.

"Proxy Form" means the proxy form enclosed with the Notice.

"Resolution" means a resolution contained in this Notice.

"Restructuring Period" has the meaning given in section 1.5.2 of this Notice.

"RSA" means the Restructuring Support Agreement signed with certain TLB Lenders, as amended on 4 March 2016 and 18 March 2016.

"Schedule" means a schedule to the Notice.

"Scheme Explanatory Statement" means the explanatory statement issued to TLB Scheme Creditors by the Company in connection with the Creditors' Scheme.

"Scheme Meeting" means the meeting of the TLB Lenders ordered by the Court to be convened under section 411(1) of the Corporations Act.

"Second Court Hearing" means the hearing of an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Creditors' Scheme, and any adjourned hearing.

"Second Court Date" means the date of the Second Court Hearing.

"Second Court Order" means the orders made by the Court at or following the Second Court Hearing, as required by section 411(4)(b) of the Corporations Act.

"Share" means a fully paid ordinary share in the Company.

"Shareholder" means a registered holder of a Share.

"Share Registry" means Computershare Investor Services Pty Ltd.

"Subordinate Claim" means a subordinate claim within the meaning of subsection 563A(2) of the Corporations Act, against the Company in respect of any fact, matter, circumstance or event which has arisen or occurred at any time prior to the commencement of Step 12 (Compromise of Subordinate Claims). In broad terms, a subordinate claim for these purposes means a claim:

- for a debt owed by the Company to a person in the person's capacity as a Shareholder (whether by way of dividends, profits or otherwise); or
- that arises from buying, holding, selling or otherwise dealing in shares in the Company,

against the Company in respect of any fact, matter, circumstance or event that has arisen or occurred at any time prior to the implementation "Step 12" of the Creditors' Scheme.

"Subordinate Claim Holder" means any person who, as at immediately prior to the commencement of Step 12 (Compromise of Subordinate Claims), has or, but for the Creditors' Scheme, would be entitled to make, a Subordinate Claim.

"Syndicated Facility Agreement" means the syndicated facility agreement dated 10 December 2012 between, among others, the Company, Credit Suisse AG (Cayman Islands branch) and Credit Suisse AG (Sydney branch), as amended on 22 December 2015.

"Term Loan B" or **"TLB"** means the US denominated loan made by the TLB Lenders to the Company under the Syndicated Facility Agreement.

"TLB Lenders" or **"Lenders"** means those counterparties who hold Term Loan B debt pursuant to the Syndicated Facility Agreement.

"TLB Scheme Creditor" means each person who is a "Lender" as that term is defined in the Syndicated Facility Agreement as at the effective date for the Creditors' Scheme, notwithstanding the disposal or transfer of any right under any Finance Document or any agreement to dispose of or transfer any such right entered into by that person before or after that time.

"WST" means Western Standard Time, being the time in Perth, Western Australia.



Schedule 2

New Options Terms and Conditions

Capitalised terms not defined in this Schedule 2 have the meaning provided in Schedule 1 (Definitions) to this Notice

1. EXERCISE PRICE

Each New Option is exercisable at 7.5 Australian cents per Share ("**Exercise Price**").

2. ENTITLEMENT

Each New Option entitles the holder ("**Option Holder**"), on payment of the Exercise Price and otherwise subject to the terms and conditions set out below, for one new Share (each a "**New Option Share**").

3. OPTION PERIOD

The New Options will expire at 5.00pm (Perth time) on 31 July 2017 ("**Expiry Date**").

Subject to clause 7 (Method of Exercise of a New Option), New Options may be exercised at any time prior to the Expiry Date and any New Options not exercised will automatically expire on the Expiry Date. There is no obligation to exercise the New Options.

Atlas will, at least 20 business days before the Expiry Date, send notices to all Option Holders stating the name of the Option Holder, the number of New Options held, the number of New Option Shares to be issued on exercise of the New Options and reiterating the requirement that a duly executed representation letter, which is substantially in the form annexed to these terms and conditions, must accompany any "Notice of Exercise of Options" (as described more fully in clause 7 (Method of Exercise of a New Option) below).

4. RANKING OF SHARES ALLOTTED ON EXERCISE OF AN OPTION

Each New Option Share issued on exercise of a New Option will, subject to Atlas' constitution, rank equally in all respects with the existing Shares then on issue.

5. VOTING

The Option Holder will not be entitled to attend or vote at any meeting of the members of the Atlas.

6. NEW OPTIONS ARE FREELY TRANSFERABLE AND EXPECTED TO BE TRADEABLE ON ASX

Subject to the Corporations Act, the ASX Listing Rules, Atlas' constitution and certain contractual restrictions for the purposes of the U.S Securities Act (set out in a "Transfer Deed" to be signed by each TLB Lender), the New Options are freely transferable and, subject only to ASX approving Atlas' application for quotation of the Options as contemplated by clause 8, expected to be freely tradeable on ASX.

7. METHOD OF EXERCISE OF A NEW OPTION

Atlas will provide the Option Holder with a form of written notice that is to be completed and submitted to Atlas' Company Secretary at each time the Option Holder wishes to exercise the New Options in accordance with these terms and conditions ("**Notice of Exercise of Options**").

The Notice of Exercise of Options must state the number of New Options to be exercised, the amount of the aggregate Exercise Price to be paid by the Option Holder in respect of the applicable New Options ("**Applicable Subscription Monies**") and the number of New Option Shares to be issued on exercise of the applicable New Options. The Notice of Exercise of Options must be accompanied by payment in full of the Applicable Subscription Monies.



The Notice of Exercise of Options must also be accompanied by a duly executed representation letter, which is substantially in the form annexed to these terms and conditions and in which the Option Holder gives certain representations confirming that they are a person eligible to receive securities under the U.S. Securities Act ("**Representation Letter**"). Atlas' Company Secretary will provide the Option Holder with a Representation Letter that is to be signed and submitted to Atlas' Company Secretary at each time the Option Holder wishes to exercise the New Options in accordance with these terms and conditions.

The exercise of some New Options does not affect the Option Holder's right to exercise other New Options at a later time.

As soon as practicable after the date on which the Option Holder submits a valid Notice of Exercise of Options and duly executed Representation Letter, and pays the Applicable Subscription Monies, Atlas must issue to the Option Holder the equivalent number of New Option Shares to which the Option Holder is entitled on exercise of the applicable New Options ("**Applicable New Option Shares**").

To avoid any doubt, if the confirmations required by the Representation Letter cannot be or are not given by the Option Holder to Atlas, that Option Holder will not be eligible to subscribe for Applicable New Option Shares and Atlas will not be required to issue to the Option Holder the Applicable New Option Shares to which the Option Holder would otherwise be entitled on exercise of the applicable New Options.

Atlas must, within 3 business days from the date of issue of the Applicable New Option Shares, apply to ASX for, and use its best endeavours to obtain, official quotation of all such Applicable New Option Shares, in accordance with the Corporations Act and the ASX Listing Rules.

8. **ASX QUOTATION**

Atlas will apply to have the New Options admitted to quotation on ASX with effect from, or as soon as reasonably practicable after, they are issued to Option Holders and otherwise in accordance with the requirements of the ASX Listing Rules.

9. **RECONSTRUCTION**

In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of Atlas, all rights of the Option Holder under the New Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to that reconstruction of capital, at the time of the reconstruction.

10. **PARTICIPATION IN NEW ISSUES**

The New Options do not give the Option Holder the right to, or otherwise entitle the Option Holder to participate in, any new issues of capital which may be made or offered by Atlas to its shareholders from time to time.

Atlas will ensure that, during the Exercise Period, the record date for the purposes of determining entitlements to any new such issue will be at least seven business days after such new issues are announced (or such other date if required under the ASX Listing Rules), so as to afford the Option Holder an opportunity to exercise the New Options and participate in the applicable new issue in respect of the New Option Shares issued on exercise.

11. **NO CHANGE OF EXERCISE PRICE OR NUMBER OF UNDERLYING NEW OPTION SHARES**

The Exercise Price and the number of underlying New Option Shares to which the Option Holder is entitled to subscribe on exercise of the New Options do not change if there is a bonus issue to holders of ordinary shares in Atlas.

If Atlas makes a pro rata offer of securities (except a bonus issue) to the holders of ordinary shares (other than in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price will be reduced according to the formula specified in the ASX Listing Rules.



Annexure to Schedule 2 (New Options Terms and Conditions)
FORM OF REPRESENTATION LETTER

[DATE]

Atlas Iron Limited
Level 18, Raine Square
300 Murray Street
Perth, Western Australia
Australia 6000
Attention: Company Secretary
Fax: +61 8 6288 8999
Email: atlas@atlasiron.com.au

Atlas Iron Limited

Option Exercise Representation Letter

Ladies and Gentlemen:

In connection with the exercise of [] options pursuant to which [] ordinary shares (the **Shares**) of Atlas Iron Limited (**Atlas**) will be issued, the undersigned represents and warrants that:

- (a) it is either:
- (i) both (x) a “qualified institutional buyer” (a **Qualified Institutional Buyer**), as defined in Rule 144A under the U.S. Securities Act of 1933 (the **U.S. Securities Act**) and (y) an “accredited investor” (within the meaning of Rule 501 of Regulation D under the U.S. Securities Act); or
 - (ii) is not in the United States and is not, and is not acting for the benefit or account of, “U.S. persons” (as defined in Regulation S under the U.S. Securities Act),
- (a **Qualifying Investor**);
- (b) it is acquiring the Shares for its own account, or the accounts of one or more persons each of whom is a Qualifying Investor with respect to which it exercises sole investment discretion, and for investment purposes and not with any intention to distribute such Shares;
- (c) it understands that the Shares has not been and will not be registered under the U.S. Securities Act and constitute “restricted securities” for the purposes of the U.S. Securities Act and, therefore, can only be resold if such Shares are offered and sold by it in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act; and
- (d) it does not beneficially own 20% or more of Atlas’ outstanding ordinary shares.

* * * * *

Very truly yours,

[]

By:
Name:
Title:
[ADDRESS]



Schedule 3

Material terms of the Agreements

Summary	<p>During the Restructuring Period, certain TLB Lenders have agreed to, among other things, take all action reasonably required to support, facilitate, implement and consummate the Financial Restructuring to effect, among other things, a reduction in the existing TLB debt (to be documented under the Amended Syndicated Facility Agreement) in exchange for a pro rata share of cash and equity in the Company on the terms contemplated by Resolution 1.</p>
New Senior Secured Term Loan governed by the Amended Syndicated Facility Agreement	<p>The New Senior Secured Term Loan is to be implemented under the Syndicated Facility Agreement, as amended in the following key ways under the Amended Syndicated Facility Agreement:</p> <ul style="list-style-type: none"> • Maturity: 2021 (five year tenor). • Principal debt: The principal amount of the Term Loan B will be reduced from US\$259.3 million (as at 31 December 2015) to US\$135 million. • Amortization: 1.0% per annum (equal quarterly instalments). • Coupon Rate: The coupon rate or interest rate payable by Atlas will be LIBOR + 433bps per annum (paid in cash, monthly) (LIBOR floor of 1.25%). • Paid in Kind interest: The Company will also pay Paid in Kind interest at 300bps per annum, which will compound to the principal balance at the end of each month. • Maintenance Covenants: A financial maintenance covenant will be mutually agreed between the Company and those certain TLB Lenders during the term of the RSA and will be documented under the Amended Syndicated Facility Agreement, effective on implementation of the Financial Restructuring by way of the Creditors' Scheme. This is the "Agreed Minimum Cash Covenant", under which the Company will be required to maintain a minimum amount of cash, being A\$35 million plus 50% of the aggregated amount outstanding under any prescribed trade finance facility, at the end of each calendar month after the Creditors' Scheme is implemented until the maturity of the TLB debt. • Other covenants: Other covenants to be substantially similar to those contained in the Syndicated Facility Agreement (subject to more restrictive materiality thresholds and baskets agreed between Atlas and those certain TLB Lenders during the term of the RSA). (Notably, the Asset Coverage Ratio covenant will not be included in the Amended Syndicated Facility Agreement.) • Excess cash sweep: Within 30 days of the end of each quarter commencing with the quarter ending 30 June 2016, the Company will be obliged to make repayments of principal debt (owing under the New Senior Secured Term Loan) of all cash it holds in excess of A\$80 million (if any). • Proceeds from dispositions: The New Senior Secured Term Loan is to be prepaid with 100% of the net cash proceeds of all asset sales or other dispositions of property or casualty events by the Company and its restricted subsidiaries, subject to certain exceptions.
Asset Coverage Ratio under the Syndicated Facility Agreement	<p>The Agreements provide that if the Asset Coverage Ratio is not met on 31 December 2015 and the Financial Restructuring contemplated by the RSA is not implemented for whatever reason, the Asset Coverage Ratio will be tested on the earlier of 30 April 2016 or the last day of the month immediately succeeding the month in which the RSA is terminated. (However, the Asset Coverage Ratio was met on 31 December 2015, as announced in the Company's half yearly results released on 23 February 2016.)</p> <p>Accordingly, it will next be tested on 30 June 2016 (if the Creditors' Scheme is not implemented).</p>

Equity issue under Financial Restructuring	<p>Subject to Shareholder approval of Resolution 1, the TLB Lenders will be issued New Shares and New Options such that immediately following the implementation of the Financial Restructuring by way of the Creditors' Scheme and excluding any Atlas securities held by the TLB Lenders prior to the issue of New Shares and New Options, they will hold in aggregate approximately 70% of the Company's total Shares and total Options.</p> <p>The New Shares and New Options have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an available exemption from registration under the United States Securities Act of 1933. (Further details about the available exemptions and the restrictions associated with these will be provided to the TLB Lenders in the Scheme Explanatory Statement.)</p>
Cash pay down of existing TLB loan	<p>Atlas must pay down the existing TLB in the amount of US\$10 million (pro rata to all TLB Lenders) made up of:</p> <ul style="list-style-type: none"> • US\$7.5 million (already paid on 24 December 2015). • US\$2.5 million payable upon implementation of the Financial Restructuring by way of the Creditors' Scheme.
Other	<p>Long Stop Date: The Long Stop Date under the RSA is 30 April 2016.</p> <p>Syndicated Facility Agreement and access to management: As a result of the execution of the RSA by a majority of the TLB Lenders (which has occurred):</p> <ul style="list-style-type: none"> • the existing Syndicated Facility Agreement was amended to include a covenant that cash is not to fall below A\$55 million on any day (less any principal and interest paid on or after 25 March 2016 or later) during the term of the RSA. This will be tested at the close of each business day and is the Minimum Daily Cash Balance Test; and • to the extent provided in the RSA, a TLB representative will receive day-to-day access to management and financials and TLB lenders will have the right to appoint an observer to the Board during the Restructuring Period. <p>Scheme of arrangement: If unanimous support of TLB Lenders for the Financial Restructuring is not achieved, the RSA will be implemented via a creditors scheme of arrangement pursuant to Part 5.1 of the Corporations Act and the parties to the RSA must negotiate the terms of the documents required to implement a creditors' scheme of arrangement in accordance with the RSA.</p> <p>Board appointment rights: TLB lenders will have a once off right to request appointment of one observer or nominate three directors to the Atlas Board post the Financial Restructuring.</p> <p>Parties not to act inconsistently: The parties to the RSA are not to act inconsistently with the stated objectives of negotiating and implementing a transaction giving effect to the RSA by no later than the Long Stop Date.</p> <p>TLB Lender rights: The TLB Lenders are to refrain from taking steps to enforce their rights as a result of, among other things, Atlas proposing the Creditors' Scheme or taking steps to implement the Financial Restructuring.</p>

Termination	<p>The RSA may terminate in certain circumstances, including but not limited to the following:</p> <ul style="list-style-type: none"> • A material adverse effect on or change in the ability of Atlas to implement the Financial Restructuring by 30 April 2016. • The suspension of all or substantially all of Atlas' mining operations. • Atlas fails to provide the Creditors' Scheme documents to the TLB Lenders by 12 February 2016. Atlas complied with this requirement. • Except as contemplated under the RSA, an insolvency event in respect of Atlas. • The Financial Restructuring is not implemented by the Long Stop Date, namely 30 April 2016. • Certain proceedings are commenced against the Company and are not withdrawn or terminated for a prescribed period. • The Atlas Board adversely changes or withdraws its recommendation in respect of the Financial Restructuring. • Where a representation or statement made by Atlas is or proves to have been incorrect or misleading in a material respect when made and it is deemed the misleading representation or statement results in a material adverse effect on or change in the ability of Atlas to implement the Financial Restructuring by the Long Stop Date. • If Atlas is not notified that the Amended Syndicated Facility Agreement is satisfactory to a specified majority of the TLB Lenders by a date on which Atlas obtains Court orders convening the Scheme Meeting. <p>The RSA expressly contemplates that Atlas is entitled to terminate that Agreement if the Directors determine, in good faith, that they must terminate it in order to comply with their fiduciary duties.</p>
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Schedule 4

Steps prior to the Creditors' Scheme becoming effective

The implementation of the Creditors' Scheme is subject to the satisfaction of various conditions precedent, all of which must be satisfied before the Creditors' Scheme can be implemented. These are summarised below.

(a) **Foreign Investment approval**

If the issue of New Shares and New Options to the TLB Lenders is required to be notified to the Treasurer of the Commonwealth of Australia under the FATA, in respect of the TLB Lenders who applied for a statement of "no objection" on or before the First Court Date, on or before 8.00am on the Second Court Date, the Treasurer of the Commonwealth of Australia:

- (i) issuing a notice (without conditions) that it does not object to the proposed issue of New Shares and New Options to the TLB Lenders; or
- (ii) ceasing, by effluxion of time or otherwise, to be empowered to make any order in respect of the proposed issue of New Shares and New Options to the TLB Lenders.

An application to the Treasurer of the Commonwealth of Australia for a statement of "no objection", as contemplated by this condition, has been made by certain of the TLB Lenders.

(b) **Shareholder approval**

The due passing of Resolution 1 by Shareholders at the Meeting convened by this Notice, approving the issue of the New Shares and New Options to the TLB Lenders.

(c) **TLB Scheme Creditor approval**

The Creditors' Scheme being agreed by the TLB Lenders present and voting in person or by proxy at the Scheme Meeting by the majority required under section 411(4)(a)(i) of the Corporations Act.

(d) **Deeds Poll and Undertakings**

As at 8.00 am on the Second Court Date, the various deeds poll and undertakings required by the Creditors' Scheme process to be executed prior to the implementation of the Creditors' Scheme (being the "Scheme Administrator Deed Poll" and the "Obligors Deed Poll") continuing to be in full force and effect and each of those deeds poll and undertakings still benefiting the beneficiaries named in it at that time.

(e) **ASIC modification**

The Company obtaining, at or before 8.00am on the Second Court Date, a modification granted by ASIC of subsections 707(3) and 707(4) the Corporations Act to enable the Shares issued on exercise of any New Options to be freely tradeable without relevant on-sale restrictions. An application for such a modification lodged by the Company with ASIC on 8 February 2016.

(f) **Court approval**

The Court approving the Creditors' Scheme in accordance with section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act (which alterations do not change the substance of the Creditors' Scheme, including the steps set out in Schedule 5 to this Notice, in any material respect).

(g) **Other conditions**

Any other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Creditors' Scheme (which conditions are not intended to change the substance of the Creditors' Scheme, including the Steps, in any material respect) being satisfied.

Section 411(6) of the Corporations Act allows the Court to approve the Creditors' Scheme with various alterations and variations.

(h) **Effective**

The Creditors' Scheme becoming effective upon the lodgement of the Second Court Order with ASIC.

Section 411(10) provides that the Court order approving the Creditors' Scheme does not have any effect until an official copy of the order is lodged with ASIC. Once lodged, the order takes effect, or is taken to have taken effect, on and from the date of lodgement or such earlier date as the Court determines.



Schedule 5

Steps to implement the Creditors' Scheme

The Creditors' Scheme provides for the restructuring of the TLB debt owed by the Company to the TLB Lenders (as contemplated by the Financial Restructuring) to take place in eight steps. The steps are to occur in the sequence as summarised below.

If the Scheme Administrator forms the opinion that, as a result of an event failing to occur as contemplated by the steps, it is not possible to give effect to the intent and purpose of the Creditors' Scheme in all material respects, the parties to the Creditors' Scheme are to do all things reasonably necessary to place each other in the positions they would have been in had the steps not been taken).

Defined terms used in this Schedule 5 that are not otherwise defined in this Notice have the meanings given below.

Step 1 (Deeds Poll and Amendment Documents):

- (i) As soon as the Creditors' Scheme becomes effective, and prior to any other step taking place, the parties are to give all instructions and execute all documents necessary to give effect to the Creditors' Scheme (by way of executing various deeds poll to effect various obligations under the Creditors' Scheme).
- (ii) Among other things, the Amendment Documents will be executed and delivered to the Scheme Administrator to be held in escrow until immediately after completion of Step 6 (Equity issue) and in accordance with Step 10 (Amendment Documents) below.
- (iii) Certain TLB Lenders will be subject to a number of restrictions with respect to how they can deal with their New Shares and New Options, solely by reason of the TLB Lenders being US persons subject to applicable US securities laws. As such, the Scheme Administrator will, pursuant to the power of attorney granted to it under the terms of the Creditors' Scheme, execute a "Transfer Deed" for and on behalf of the Company and each TLB Lender providing for these restrictions and hold this in escrow.
- (iv) the Administrative Agent will provide the Scheme Administrator and the Company a table which shows, according to the Administrative Agent's records, details of the following:
 - contact details for each TLB Lender as at the date on which the Creditors' Scheme becomes effective;
 - the Residual Interest Amount (if any);
 - the total aggregate principal amount owing by the Company under the Syndicated Facility Agreement as at the implementation date; and
 - the aggregate principal amount owing by the Company under the Syndicated Facility Agreement to each TLB Lender as at the implementation date.

Step 2 (Calculations): On the Calculation Date, the Scheme Administrator will:

- (i) based on the information referred to in Step 1 (Deeds Poll and Amendment Documents), calculate:
 - the Debt Contribution Amount in respect of each TLB Lender;
 - the Total Debt Contribution Amount; and
 - number of New Shares and New Options to be issued to each TLB Lender in Step 6 (Equity issue) of the Creditors' Scheme; and
- (ii) provide the details of those calculations and the amounts referred to above to the Company and each Agent.

Step 3 (Satisfaction of Administrative Requirements): As early as practicable on the business day before the implementation date, the Administrative Agent must notify the Scheme Administrator as to whether or not administrative requirements associated with the Amendment Documents have been met. These "administrative requirements" are associated with various confirmations and certifications to be given by the Company in connection with the refinancing, and are administrative in nature.



Step 4 (Preliminary payment):

As early as practicable on the implementation date of the Creditors' Scheme, the Company will pay the Residual Interest Amount (if any) and the US\$2.5 million to the Administrative Agent for distribution to the TLB Lenders in accordance with the terms of the Finance Documents.

Step 5 (Appointment of New Directors):

Immediately after the completion of Step 4 (Preliminary payment) and immediately prior to the commencement of Step 6 (Equity issue), the Company must take all actions necessary to cause the appointment of each New Director to the board of directors of the Company. The Company's obligation to cause such appointments is subject to receiving a signed consent to act from that New Director and that New Director signing a letter of appointment that contemplates the Company's procedures and policies regarding management of actual or perceived conflicts of interest and confidentiality, among other things.

Step 6 (Equity issue):

Immediately after the completion Step 5 (Appointment of New Directors):

- (i) the Scheme Administrator will release the "Transfer Deed" (referred to in Step 1 (Deeds Poll and Amendment Documents) above) from escrow; and
- (ii) the Company will issue a total of approximately 6,229,503,121 New Shares and 4,513,986,297 New Options to be allocated between the TLB Lenders as determined by the formulas set out in the Creditors' Scheme.

Following the issue of these New Shares and New Options, the TLB Lenders (or their nominees) will hold approximately:

- (i) 70% of the total Shares; and
- (ii) 70% of the total Options,

on issue after implementation of the Creditors' Scheme.

Where a TLB Lender would receive a fraction of a New Share, then the New Shares issued to that TLB Lender will be rounded down to the nearest whole number, and where a TLB Lender would receive a fraction of a New Option, the New Options issued to that TLB Lender will be rounded down to the nearest whole number.

Step 7 (Release):

Immediately after the completion of Step 6 (Equity issue) and simultaneously with Step 8 (Partial release of debt), Step 9 (Agents' Releases), and Step 10 (Amendment Documents):

- (i) each TLB Lender will release each Released Obligor Individual from certain claims and obligations relating to events that occurred between 10 December 2012 and the date of implementation of the Creditors' Scheme; and
- (ii) each Released Obligor Individual will release each TLB Lender from all certain claims and obligations relating to events that occurred between 10 December 2012 and the date of implementation of the Creditors' Scheme,

except in each case, and in respect of each claim, to the extent that the released party has engaged in fraud or wilful misconduct or been reckless, grossly negligent or dishonest in respect of the facts, matters, circumstances or events to which that claim relates.

Step 8 (Partial release of debt):

Simultaneously with Step 7 (Release), Step 9 (Agents' Releases) and Step 10 (Amendment Documents):

- (i) each TLB Lender will release each of the Obligors from its obligation to pay the Total Debt Contribution Amount to any of the parties to the Finance Documents; and
- (ii) each of the parties to the Finance Documents will consent to the release in this Step 8 and waive all rights that they may have to require that any person comply with specified amendment and waiver provisions contained in any Finance Document, to the extent necessary to effect the release under this Step 8.



Step 9 (Agents' Releases):

Simultaneously with Step 7 (Release), Step 8 (Partial release of debt) and Step 10 (Amendment Documents), each TLB Lender, Obligor and Released Obligor Individual:

- (i) releases each Agent, in such capacity, and their current and former officers, partners, directors, employees, staff, agents and counsel, and each of their predecessors, successors and assigns, and in their capacities as such from certain claims relating to any fact, matter, circumstance or event arising prior to the date of implementation of the Creditors' Scheme, save for any claim of gross negligence or wilful misconduct in respect of the facts, matters, circumstances or events to which that claim relates; and
- (ii) irrevocably and unconditionally confirms that neither the Administrative Agent nor the Collateral Agent will be liable in any jurisdiction directly or indirectly in connection with any actions taken pursuant to the Creditors' Scheme, the deeds poll executed by those Agents and the necessary undertakings to execute those deeds poll (other than by reason of gross negligence or wilful misconduct).

Step 10 (Amendment Documents):

Simultaneously with Step 7 (Release), Step 8 (Partial release of debt) and Step 9 (Agent's releases), the Scheme Administrator shall release the Amendment Documents from escrow, at which point each Amendment Document shall operate in accordance with its own terms.

Step 11 (Resignation of directors):

The Company must immediately after the completion of Step 1 (Deeds Poll and Amendment Documents) through to and including Step 10 (Amendment Documents), take all actions necessary to ensure that no more than two of the original directors, (being the directors of the Company immediately prior to the commencement of Step 5 (Appointment of New Directors)), remain on the board of directors of the Company with effect from that time, being David Flanagan and Cheryl Edwardes.

Step 12 (Compromise of Subordinate Claims):

Immediately after the completion of Step 11 (Resignation of directors):

- (i) the right and entitlement of each Subordinate Claim Holder to enforce as against the Company any Subordinate Claim is limited to the amount (if any) actually recovered by the Company under any applicable insurance policy, net of any expenses (including defence costs) incurred by the Company and/or any relevant insurer in connection with the claim ("**Net Proceeds**"); and
- (ii) the Company is released from any obligation to pay any amount in respect of any Subordinate Claim (including interest and costs) in excess of the Net Proceeds referable to that claim.

Where the Company is entitled to claim under any applicable insurance policy all or part of the amount claimed under a Subordinate Claim, the Company shall take all reasonable steps to make and pursue a claim for indemnity under the applicable insurance policy in respect of that Subordinate Claim.

Definitions used in this Schedule 5

"Administrative Agent" means Credit Suisse AG, Cayman Islands Branch in its capacity as "Administrative Agent" under the Syndicated Facility Agreement.

"Agent" means the Collateral Agent or Administrative Agent.

"Calculation Date" means the second business day after all conditions precedent to the Creditors' Scheme are satisfied.

"Collateral Agent" means Credit Suisse AG, Sydney Branch, in its capacity as "Collateral Agent" under the Syndicated Facility Agreement (and security documents referred to in the Syndicated Facility Agreement).

"Debt Contribution Amount" means, in relation to each TLB Lender, its share of the Total Debt Contribution Amount to be calculated under the Creditors' Scheme by the Scheme Administrator.

"Observer" means a person nominated by the TLB Lenders to act as an observer to all meetings of the board of Directors of the Company, in accordance with the terms of the Creditors' Scheme.



"Released Obligor Individual" means any person who was, at any time between 10 December 2012 and the date of Implementation of the Creditors' Scheme inclusive, a director, officer or employee of any Obligor (in their capacity as such), who has executed, or at any time executes (including by way of joinder), a Released Obligor Individual Deed Poll.

"Residual Interest Amount" means the amount of accrued but unpaid interest due and payable by the Company under the Syndicated Facility Agreement as at the date of implementation of the Creditors' Scheme on the basis that no part of that amount is paid during the period between the Calculation Date and the date of implementation of the Creditors' Scheme (inclusive).

"Scheme Administrator" means each of Philip Carter and Marcus Ayres of PPB Advisory, or any other person who accepts the appointment to the role of scheme administrator of the Creditors' Scheme under section 411(7) of the Corporations Act provided, in each case, they have executed a deed poll substantially in the form provided.

"Total Debt Contribution Amount" means the aggregate principal amount owing by the Company under the Syndicated Facility Agreement (as at the date of implementation of the Creditors' Scheme) less \$2.5 million to be repaid by the Company under Step 3 (Preliminary payment), less US\$135,000,000.

Note that there are references to various "deeds poll" in this Schedule 5, which are certain deeds to be executed by parties involved in the Creditors' Scheme to effect various obligations under the Creditors' Scheme.

AGO

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 9:00am (WST) Monday, 25 April 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Atlas Iron Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Atlas Iron Limited to be held at Mantra on Murray, 305 Murray Street, Perth, Western Australia on Wednesday, 27 April 2016 at 9:00am (WST) and at any adjournment or postponement of that meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Resolution 1 Approval to issue New Shares and New Options under the Financial Restructuring

For

Against

Abstain

☐☐☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

AGO

210975A

Computershare +