



ASX Announcement

23 December 2015

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ATLAS SIGNS DEBT RESTRUCTURE AGREEMENT

Atlas Iron Limited (ASX: AGO) is pleased to announce that it has signed a Restructuring Support Agreement (“RSA”) with more than 75% the Term Loan B (“TLB”) lenders and an amendment to its existing Syndicated Facility Agreement (“Amendment”) (collectively called “the Agreements”).

Under the Agreements, Atlas will make a pay down of the TLB loan in an aggregate amount of US\$10 million and issue shares and options to the TLB Lenders in exchange for the TLB lenders retiring US\$132 million (approx. A\$183 million) of the TLB debt. On implementation of the financial restructuring contemplated by the Agreements (the “Financial Restructuring”), Atlas will have reduced its term loan debt from US\$267 million (~A\$371 million) to US\$135 million (~A\$188 million), extended the maturity date from December 2017 to ~April 2021 and reduced its cash interest expense by over 65% as result of the lower debt balance and reduced interest rate.

The TLB Lenders will be issued shares and options such that, immediately post the restructure, they will hold 70.0% of the Company’s shares and options on issue. The issue of these shares and options will be subject to shareholder approval. A notice of meeting for the general meeting of shareholders is expected to be sent to shareholders in the first Quarter of 2016.

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) during the implementation of the RSA (“Interim Covenant”). The Company currently expects to have A\$85 – 95 million of cash on hand at 31 December 2015 (pre pay down of the TLB loan).

Under the Agreements, the Asset Coverage Ratio test in the existing Syndicated Facility Agreement, which is required to be next tested at 31 December 2015, has been postponed until the earlier of 30 April 2016 or ~ 45 days from termination of RSA, if the Asset Coverage Ratio test was not met on 31 December 2015.

A summary of the material terms of the Agreements is attached in Annexure 1, including the circumstances in which the Agreements may terminate. The Financial Restructuring is subject to customary regulatory and governmental approvals.

“On behalf of the Atlas Board, I would like to thank the TLB lenders and their advisors for negotiating in good faith in this time of challenging commodity prices and for agreeing to a sensible and pragmatic restructuring of the TLB debt,” Atlas Managing Director David Flanagan said. “I would also like to thank the TLB lenders and their advisors, and the Atlas team including our financial and legal advisors for their hard work in completing this agreement in a timely manner.”

Atlas Iron Limited

ABN 63 110 396 168

Raine Square, Level 18
300 Murray Street Perth WA 6000

PO Box 7071
Cloisters Square Perth WA 6850

P: +61 8 6228 8000
F: +61 8 6228 8999

E: atlas@atlasiron.com.au
W: www.atlasiron.com.au



Timing

The parties to the Agreements will seek to get unanimous support of the TLB lenders for the Agreements. Should this unanimous support for the Agreements be forthcoming, the Company will immediately move to calling a general meeting of shareholders to approve the issue of the share and option consideration to approximately 82 registered TLB lenders.

If unanimous support of TLB lenders is not achieved, the Financial Restructuring will be implemented via a Creditors Scheme of Arrangement. This would result in the holding of a TLB lenders creditors meeting late in first quarter of 2016 and the implementation of the Financial Restructuring early in the second quarter of 2016. Should a Creditors Scheme be required, the Company will hold a shareholder meeting to approve the issue of shares and options before the Creditors Scheme.

Contractor and Supplier Cooperation

With the significant decline in the iron ore price since October 2015, the Company has been engaged with its contractors and suppliers with a view to reducing costs, particularly if it could successfully complete a debt restructuring agreement with the TLB lenders. The Company has agreed with its contractors a number of cost reductions that are expected to lower cash costs during the implementation of the Financial Restructuring by between A\$2/t and A\$4/t.

"I would like to thank all the participating contractors and suppliers for agreeing to reduce their costs," Atlas Managing Director David Flanagan said. "This is of great assistance to Atlas as it works to implement the debt restructuring agreements over the next four months."

Atlas' financial advisors for the Financial Restructuring are Lazard and JP Morgan, while its legal advisors are Ashurst and Sullivan & Cromwell.

FY2016 guidance and other important considerations

Please refer to Annexures 2 to 4 for further important information about the Company and its costs, implementation of the Financial Restructuring and the potential risks associated with these matters.

Investor Enquiries:

Atlas Iron +61 8 6228 8000
Tony Walsh
Company Secretary

Media Enquiries:

Read Corporate +61 8 9388 1474
Paul Armstrong +61 421 619 084

Notes:

1. All references to dollars (\$) in this announcement are Australian dollars (A\$) unless otherwise stated.
2. "t" in this announcement refers to wet metric tonne
3. Cash on hand at 31 December 2015 is pre pay down of the TLB loan and based on current creditor terms

Atlas Advisors on the Agreements

Financial Advisors

Lazard
JP Morgan

Legal Advisors

Ashurst
Sullivan and Cromwell LLP

TLB Lender Advisors

Financial Advisors

Houlihan Lokey

Legal Advisors

Gilbert & Tobin
Jones Day

ANNEXURE 1: MATERIAL TERMS OF THE AGREEMENTS

Summary	<i>TLB Lenders will exchange existing TLB loans for a pro rata share of cash, a new senior secured loan and equity in the Company</i>
New Senior Secured Term Loan	<p><i>New Senior Secured Term Loan:</i></p> <ul style="list-style-type: none"> <i>• Maturity: 2021 (five year tenor)</i> <i>• Amount: US\$135 million</i> <i>• Amortization: 1.0% per annum (equal quarterly instalments)</i> <i>• Coupon: Libor + 433bps (paid in cash, monthly), plus 300bps Paid in Kind interest (capitalised monthly) (LIBOR floor of 1.25%)</i> <i>• Maintenance Covenants: a financial maintenance covenant will be mutually agreed between the Company and the lenders during the term of the RSA, but prior to seeking shareholder approval (and creditor approval, if needed)</i> <i>• A 100% cash flow sweep pay down of the New Senior Secured Term Loan will apply to any cash in excess of A\$75 million at the end of each quarter (less the amount of interest paid in cash for that quarter)</i>
Existing Term Loan	<i>The Asset Coverage Ratio test will be postponed until the earlier of 30 April 2016 or ~45 days after termination of the RSA, if the Asset Coverage Ratio is not met on 31 Dec 2015</i>
Post Restructure Equity	<p><i>The TLB Lenders will be issued shares and options such that immediately post the restructure they will hold in aggregate 70.0% of the Company's shares and options. The issue of this equity will be subject to shareholder approval</i></p> <p><i>The shares and 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.</i></p>
Cash pay down of existing TLB loan	<p><i>Atlas will make a pay down of the existing TLB of US\$10 million (pro rata to all TLB Lenders) made up of:</i></p> <ul style="list-style-type: none"> <i>• US\$7.5mm to be paid upon execution of the RSA by the majority of TLB Lenders (greater than 50% by number and at least 75% by value)</i> <i>• US\$2.5mm payable upon completion of the restructure</i>
Other	<p><i>As a result of the execution of the RSA by a majority of the TLB Lenders:</i></p> <ul style="list-style-type: none"> <i>• 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) during the term of the RSA. This will be tested at the close of each business day ("Interim Covenant"),</i> <i>• 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 term of the RSA.</i> <p><i>If unanimous support of TLB lenders is not achieved, the RSA will be implemented via a Creditors Scheme of Arrangement</i></p> <p><i>TLB lenders will have the right to request appointment of an observer or 3 directors to the Atlas Board post restructure</i></p> <p><i>The Long Stop Date on the Agreements is 30 April 2016</i></p>
Termination	<p><i>The RSA may terminate in certain circumstances, including but not limited to the following:</i></p> <ul style="list-style-type: none"> <i>• A breach of the Interim Covenant</i> <i>• The suspension of all or substantially all of Atlas' mining operations</i> <i>• Not implementing the RSA by the Long Stop Date, 30 April 2016</i> <i>• The occurrence of an event of default under the existing Syndicated Facility Agreement;</i> <i>• Breach of a representation, warranty or covenant under the RSA</i>

ANNEXURE 2: FY2016 GUIDANCE

FY2016 Guidance

In its September 2015 Quarterly Report released on 22 October 2015, Atlas provided the following shipping and cost guidance for FY2016, subject to the assumptions set out in that September 2015 Quarterly Report:

	Full Year Guidance
Ore tonnes shipped (WMT)	14M – 15M
C1 cash costs (A\$/WMT FOB)	\$35 - \$38
Full cash cost* (A\$/WMT CFR China)	\$55 - \$59
Development Capital (A\$)	\$10M - \$15M
Depreciation & Amortisation (A\$/WMT)	\$6 - \$7

Please note that this FY2016 Guidance range does not take into account either the lower costs expected from Atlas' contractors and suppliers during the Financial Restructuring implementation period referred to in this announcement (Contractor and Supplier Cooperation) or the lower interest expense that is contemplated by the Financial Restructuring.

Since 22 October 2015, the Company has agreed a number of cost reductions that are expected to lower cash costs by between A\$2/t and A\$4/t during the implementation of the Financial Restructuring.



ANNEXURE 3: DISCLAIMER - COMPLIANCE WITH INTERIM COVENANT AND FORWARD LOOKING INFORMATION GENERALLY

Certain information in this document, including all statements that are not historical facts, constitutes forward looking information within the meaning of applicable US & Australian securities laws. Such forward-looking information includes, but is not limited to, information which reflects management's expectations regarding Atlas' results of operations.

In making and providing the forward-looking information included in this document, the Company has made numerous assumptions. These assumptions include among other things: (i) assumptions about the price of iron ore; (ii) assumptions about operating costs and expenditures; (iii) assumptions about future production and recovery; (iv) that the supply and demand for iron ore develops as expected; (v) that there is no unanticipated fluctuation in interest rates and foreign exchange rates; and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of iron ore; (ii) the risk that the Company will have negative operating cash flow; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; (vi) the risk that iron ore produced will not meet certain minimum specifications; (vii) production estimates may not be accurate; (viii) environmental risks and changes in environmental legislation; (ix) and failure to comply with restrictions and covenants under its debt arrangements.

The meeting of the Interim Covenant (see Annexure 1: Material Terms of the Agreements) is subject to a number of risks including, but not limited to, the risk factors set out below:

- 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 Interim Covenant.
- The value of Atlas' iron ore sales will be influenced by future iron ore prices 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.
- The value of Atlas' interest costs and freight obligations will be affected by foreign exchange rates.

While Atlas believes it currently has a reasonable expectation that it will meet the Interim Covenant, there is no guarantee that the Interim Covenant will be satisfied during the implementation of the Agreements. Should Atlas not meet the Interim Covenant, it is possible the Agreements will terminate and the Asset Coverage Ratio test that was postponed until the earlier of 30 April 2016 or ~45 days after termination of the RSA, if not met on 31 December 2015, will be retested. If the Company fails to meet the Interim Covenant, this could result in the repayment of the TLB being accelerated or the lenders may appoint a receiver

The Company's most recent Prospectus (dated 11 June 2015) contains more information on risks, uncertainties and other factors relating to the Company's operations and its financial condition, as well as the overall market factors that impact the Company's performance. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information and the balance of this announcement, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Importantly, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information disclosed in this document is qualified by this cautionary statement.



ANNEXURE 4: NO OFFER; IMPORTANT INFORMATION; TAX CONSIDERATIONS

This ASX Announcement 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 ASX Announcement does not constitute an offer, solicitation or sale 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 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.

Holders of TLB loans are advised to consult their own tax advisors as to the Australian, US federal income and any other tax consequences to them of participating in the Financial Restructuring and of owning and disposing of the securities to be issued in the Financial Restructuring.