



20 April 2018

Dear Shareholder,

ATLAS SCHEME OF ARRANGEMENT WITH MINERAL RESOURCES

As Chairman of your Company, I would like to take this opportunity to provide some additional information on the recently announced proposal for Atlas Iron (**Atlas**) to combine with Mineral Resources (**MinRes**; ASX: MIN) via a Scheme of Arrangement. By way of background, MinRes is a diversified ASX-listed mining services and processing company with a market capitalisation of more than \$3 billion. MinRes has extensive operations in the Pilbara region including iron ore and lithium mining and processing.

As outlined in our recent ASX Announcement¹, if the Scheme is approved Atlas shareholders will receive 1 MinRes share for every 571 Atlas shares they hold at the record date, with MinRes proposing to acquire the entire issued capital of Atlas.

The Atlas Directors have announced their unanimous support for the transaction, recommending that shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to a recommendation from an Independent Expert that the Scheme is in the best interests of Atlas shareholders. Subject to these same qualifications, each Atlas Director intends to vote all of the Atlas shares held or controlled by them in favour of the Scheme.

While no action is required by Atlas shareholders at this time, I would like to take this opportunity to briefly outline some of the key reasons why we have entered into this agreement with MinRes, namely:

- **The Scheme consideration represents an attractive premium** – an implied premium of 59% to Atlas' closing on 4 April 2018, the last trading day before the transaction was announced, and a 28% premium to the 30-day VWAP² up to and including 4 April 2018;
- **Shareholders will still retain ownership of Atlas' assets and business** – the scrip consideration provides Atlas shareholders with continued exposure to the Company's assets and business. Importantly, it also provides shareholders with exposure to a diversified company with a strong balance sheet and a track record of paying regular dividends, eliminating the risks associated with Atlas' current primary single-commodity exposure; and
- **A combination with MinRes will deliver meaningful benefits to Atlas shareholders** – MinRes is in a position to fund Atlas' undeveloped assets. By agreeing to receive MinRes shares as consideration, Atlas shareholders will be able to benefit from those assets coming into production. In addition, the combination of the MinRes and Atlas operations will yield synergies from transportation services in the Pilbara, create portfolio diversification and unlock a number of scale benefits arising from a larger, diversified production base.

¹ Atlas Iron ASX announcement, 9 April 2018: "Atlas Executes Scheme Implementation Deed with Mineral Resources"

² VWAP is an abbreviation for volume-weighted average price, a measure of Atlas' average share price during this 30-day period.

Over the past year, the Atlas leadership team has worked diligently to improve the Atlas business. The fruits of this work have been seen in the improvements we have made to our iron ore business, including the achievement of a better quality product, as well as in our early-stage diversification initiatives in lithium and manganese. However, the widening discount being applied to lower grade iron ore has largely offset these improvements to our underlying business, resulting in our operations running at a loss as outlined in our recent quarterly reporting³.

The Company has also conducted a detailed strategic review with the assistance of independent advisors. The strategic review examined a range of potential combinations, refinancing of debt and associated strategies. Following that review and given ongoing difficult market conditions for low grade iron ore, we believe that the combination with MinRes will not only protect, but also enhance, the Atlas business.

I am aware that there has already been some commentary on online investor forums on the merits or otherwise of the proposed transaction. I would like to take this opportunity to respectfully ask shareholders to wait until the full facts are available via the court-approved Scheme Booklet before deciding on the merits of the transaction.

Atlas will soon appoint an Independent Expert to determine whether the MinRes proposal is in shareholders' best interests. The Independent Expert's Report will be included in a Scheme Booklet, which is expected to be sent to Atlas shareholders in June 2018.

Once the Scheme Booklet has been distributed, the Company will then facilitate open communication with our shareholders to further explain our reasons for supporting the Scheme and provide an opportunity for you to ask questions. Relevant information on the progress of the Scheme will be published on the Company's website (www.atlasiron.com.au) and the Company Announcements Platform of the Australian Securities Exchange at the appropriate time.

You will then be given the opportunity to vote on the Scheme at a Scheme Meeting expected to be held in July 2018.

I would also like to take this opportunity to remind shareholders that communication via email is the cheapest and quickest method by which the Company can keep you properly informed. To those who have not already done so, please register your email address with the Company's share registry via the Computershare website (<https://www-au.computershare.com/investor>).

If you have any queries about this letter, please contact our Company Secretary, Bronwyn Kerr, on 08 6228 8000.

Yours faithfully,



Eugene I. Davis
Non-Executive Chairman

³ Refer to Atlas Iron's March 2018 Quarterly Report, lodged with the ASX on 17 April 2018 and December 2018 Quarterly Report, lodged on 29 January 2018.