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ATLAS AGREES TO SELL BALLA BALLA MAGNETITE PROJECT TO FORGE FOR \$40M

Atlas Iron Limited [ASX Code: AGO] is pleased to announce that it has entered into an agreement to sell its Balla Balla magnetite project to Forge Resources Limited [ASX Code: FRG] for \$40 million.

The proceeds will be paid in two stages. A royalty payment will also be payable based on tonnes sold.

Material terms

Pursuant to the terms of the agreements, there are two phases of cash payment for the Balla Balla Project and two phases of royalties as follows:

1. Forge will pay \$17.5 million to Atlas by the end of February 2012, subject to any required Forge shareholder approvals and a successful capital raising of at least \$15 million by Forge; and
2. 12 months after the initial payment, Forge will pay a further \$22.5 million to Atlas;

Royalty payments:

- a. A 4% royalty on revenue, after government taxes and royalties, shall be paid to Atlas from the initial 5.5 million tonnes of contained Fe within magnetite concentrate sales and 200,000 tonnes of contained TiO₂ within ilmenite sales. The value of this royalty stream will be determined by the price achieved at the time these tonnages are sold by Forge.
- b. Upon completion of the 4% royalty tonnages, the royalty shall drop to 1% of revenue, after government taxes and royalties, on remaining tonnages up to a total of 36,000,000 tonnes of contained Fe within magnetite concentrate sales and 1,200,000 tonnes of contained TiO₂ within ilmenite sales. The value of this royalty stream will be determined by the price achieved at the time these tonnages are sold by Forge.

“This is good deal for both parties,” Atlas Managing Director David Flanagan said. “It realises value for Atlas from the former Aurox Resources-owned Balla Balla project while retaining the Utah Point Access Rights that were a key driver of the Atlas/Aurox merger.

“The Forge team, lead by Nick Curtis and Matthew James, has a demonstrated skill set in bringing projects to market and we look forward to them delivering further value for Atlas and Forge shareholders by successfully bringing the Balla Balla project into production.

“The divestment allows Atlas to retain access to the upside in the project via a potentially significant royalty stream while enabling it to focus on developing its Pilbara DSO business.

“The Atlas team is continuing commercial negotiations with potential investors or partners on its other magnetite projects.”

Atlas Iron Limited ABN 63 110 396 168



About Balla Balla project

The Balla Balla Project is a large scale magnetite, vanadium and titanium project, acquired via Atlas' acquisition of Aurox Resources in August 2010. It is located close to the Pilbara coast in Western Australia. Mining tenements and major approvals have been granted for the Balla Balla Project and water and conditional gas agreements are in place. The Balla Balla project is carried at a value of \$73 million in Atlas' books. Based on current accounting advice, it not expected that any value will be attributed to the royalty stream when calculating the value of sale consideration. As a result, an accounting loss will occur on the transaction.

For further information please contact

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