

# Atlas Iron Limited (ASX:AGO) Agrees to Sell Balla Balla Magnetite Project to Forge (ASX:FRG) for A\$40 Million

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Perth, Australia (ABN Newswire) - Atlas Iron Limited (ASX:AGO) is pleased to announce that it has entered into an agreement to sell its Balla Balla magnetite project to Forge Resources Limited (ASX:FRG) for A\$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 A\$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 A\$15 million by Forge; and
2. 12 months after the initial payment, Forge will pay a further A\$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 TiO<sub>2</sub> 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 TiO<sub>2</sub> 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.'

## 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 A\$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.

#### About Atlas Iron Limited:

Atlas Iron Limited (ASX:AGO) is mining and exporting from its 100%-owned Pardoo and Wodgina Iron Ore projects, located 75 kilometres and 110km by road from Port Hedland in the Pilbara region of Western Australia. In the 2009/10 financial year Atlas shipped over 1.2 million tonnes of Pardoo Direct Shipping Ore (DSO). Atlas is expanding its production from its Wodgina and Pardoo DSO mines following the commissioning of the Utah Point port facility and is targeting exports at an annualised rate of 6 million tonnes by the end of 2010. When combined with additional export tonnages from its Abydos & Mt Webber DSO Projects, the Company is targeting exports at an annualised rate of 12 million tonnes during 2012.

#### Source:

Atlas Iron Limited

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