

Atlas Iron Limited (ASX:AGO) Cash Consideration of AU\$39.5 million Completes Balla Balla Magnetite Sale

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Sydney, Australia (ABN Newswire) - Atlas Iron Limited (ASX:AGO) is pleased to announce that the sale of the Balla Balla Magnetite Project to Forge Resources Limited (ASX:FRG) has been settled.

Following a variation of the sale agreement, the total cash consideration of AU\$39.5 million was paid to Atlas prior to settlement rather than in two tranches (AU\$17.5 million on settlement and AU\$22.5 million 12 months later) as originally announced in December 2011.

Forge has demonstrated significant capability in completing the Balla Balla purchase and has made substantial progress towards developing the project with the introduction of a partner, in Todd Capital Limited, a division of the Todd Corporation ('Todd'), which is a private company based in New Zealand). Forge has previously announced that Todd will acquire a 25% ownership interest in Balla Balla.

As a result Atlas looks forward to receiving a royalty stream arising from the projects' future production. Details of the royalty payments are outlined below:

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.

The settlement of the Balla Balla sale is part of Atlas' strategy to grow its Pilbara Direct Shipping Ore (DSO) business rapidly, with its iron ore production rate forecast to increase from 6Mtpa currently to 8Mtpa by early 2013 and 12Mtpa by December 2013. Atlas is targeting production of up to 46Mtpa by 2017.

Atlas' DSO projects are characterised by low capital expenditure and globally competitive operating costs, contributing to Atlas' ability to generate significant operating cash flows. As a result the Company is well positioned to fund its Pilbara growth objectives.

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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