

SENATE ECONOMICS LEGISLATION COMMITTEE
Inquiry into the Minerals Resource Rent Tax Bill 2011 and related bills
22 February 2012

MAGNETITE NETWORK

Senator Cameron

Hansard Ref: Pages 29- 30 (Proof Hansard)

Senator CAMERON: Have any of your members issued warnings on the stock exchange not to invest in magnetite mining because the MRRT is a problem?

Ms Anwyl: Can I just clarify, when you say 'warnings not to invest', you mean an ASX announcement warning potential investors not to buy shares in their company?

Senator CAMERON: Yes.

Ms Anwyl: I doubt that has occurred. I cannot sit here and pretend to know every single ASX announcement that has gone out by all 11 members.

Senator CAMERON: Surely you would know any ASX announcement that says: 'We have got a problem here. The MRRT is making it unprofitable. Don't invest'?

Ms Anwyl: In fact, we had an exchange a bit similar to this last time I gave evidence before you in terms of whether or not there were references in quarterly and half yearly statements. Interestingly it was Atlas Iron that you quizzed me about and subsequently I was able to find such a reference. I am happy to take that on notice and provide further information.

Senator CAMERON: That would be good.

Answer:

These are the announcements that I referred to in evidence.

Atlas Iron statement of 16 December, 2011 with respect to Balla Balla magnetite project.
Atlas Iron statement of 23 December, 2011 with respect to Yerecoin magnetite project.

I don't have any further evidence that falls within the very specific terms of the question put by Senator Cameron.

Megan Anwyl
Executive Director
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16 December 2011

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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23 December 2011

ATLAS AGREES TO SELL YERECOIN MAGNETITE PROJECT FOR \$18M

Atlas Iron Limited [**ASX Code: AGO**] is pleased to announce that it has agreed to sell its Yerecoin magnetite project to Cliffs Natural Resources (Cliffs) for \$18 million cash, with the full amount payable when the deal is completed, being on or before 31 January 2012.

Further payments may be payable based on magnetite and direct shipping ore reserve tonnes as follows:

Within 30 days of a Decision to Mine, Cliffs agrees to immediately pay amounts equal to:

- (a) \$0.10 per tonne for each tonne of magnetite exceeding 187 million tonnes proven in a Reserve within the Tenements, or if not proven in Reserve, mined or to be mined as a Resource, up to an additional 200 million tonnes; and
- (b) \$0.50 per tonne for each tonne of direct shipping iron ore exceeding 5 million tonnes proven in a Reserve within the Tenements, or if not proven in Reserve, mined or to be mined as a Resource.

“This agreement realises value for Atlas from an asset it inherited through the takeover of Giralia Resources,” Atlas Managing Director David Flanagan said. “At the same time, the sale agreement enables Atlas to retain some upside in the project.”

Atlas announced last week that it had agreed to sell its Balla Balla magnetite project in Western Australia to Forge Resources for \$40 million plus a royalty.

Atlas team is in ongoing negotiations with potential investors or partners in respect of its Ridley magnetite project in the Pilbara.”

About Yerecoin project

The Yerecoin Project is a magnetite deposit, acquired via Atlas’ takeover of Giralia Resources in March 2011. It is located 150km north east of Perth in Western Australia. The Yerecoin project and related tenements are carried at a value of \$48 million in Atlas’ books. Based on current accounting advice, it not expected that any value will be attributed to the reserve milestone payments when calculating the value of sale consideration. As a result, an accounting loss will occur on the transaction, which is subject to normal conditions precedent.

For further information please contact

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