



27 June 2011

## **CONSOLIDATION OF THE SOUTH EAST PILBARA & RECOMMENDED TAKEOVER OFFER FOR FERRAUS BY ATLAS**

### **Overview**

- Atlas and FerrAus to pursue the consolidation of the iron ore assets in the South East Pilbara for the benefit of all stakeholders
- Consolidation to be achieved initially through the combination of complimentary assets in the South East Pilbara within FerrAus to create a significant, South East Pilbara focussed iron ore development company, followed immediately by a recommended takeover offer for FerrAus by Atlas
- The FerrAus Directors consider these transactions to be superior to the unsolicited takeover offer by Wah Nam International Holdings Ltd

### **South East Pilbara Consolidation**

- Combination of the South East Pilbara iron ore assets of FerrAus and Atlas within FerrAus (Iron Ore Assets Acquisition), and the subscription by Atlas for approximately \$24.3 million of FerrAus shares at \$0.65 per share (Subscription)
- The Iron Ore Assets Acquisition and Subscription will result in FerrAus owning a substantial DSO resource inventory of 488.6Mt, with significant potential to rapidly grow those resources, and the financial capacity to do so. The increased project scale will also provide FerrAus with substantially greater ability to pursue the development of an independent infrastructure solution in the South East Pilbara, and is expected to provide significant cost efficiencies
- FerrAus shareholders will have the opportunity to vote on both the Subscription and Iron Ore Assets Acquisition and FerrAus' Directors unanimously recommend that FerrAus shareholders vote in favour, subject to the opinion of an independent expert who will be engaged by FerrAus to report on the transactions

### **Recommended Takeover Offer by Atlas for FerrAus**

- Atlas and FerrAus have also executed a Bid Implementation Agreement pursuant to which Atlas has agreed to make an off-market takeover bid for 100% of FerrAus' ordinary shares on the basis of 1 Atlas share for every 4 FerrAus shares (Atlas Takeover Offer) immediately upon completion of the Subscription and Iron Ore Assets Acquisition
- Compared with the last closing price of FerrAus shares on 24 June 2011, the Atlas Takeover Offer represents a 34% premium based on the last closing price of Atlas shares and a 38% premium based on the 10 day volume weighted average price (VWAP) of Atlas shares
- FerrAus' Directors unanimously recommend that FerrAus shareholders accept the Atlas Takeover Offer, in the absence of a Superior Offer, subject to the opinion of an independent expert, and have agreed to accept the Atlas Takeover Offer with respect to all shares held by them or in which they have a relevant interest, in the absence of a Superior Offer
- Atlas' development and production expertise, strong cashflows from its operations and its robust balance sheet mean that Atlas is well positioned to advance the combined South East Pilbara iron ore assets and maximise the value of these assets for the benefit of Atlas and FerrAus shareholders



Atlas Iron Limited (“**Atlas**”) [ASX: AGO] and FerrAus Limited (“**FerrAus**”) [ASX: FRS] are pleased to announce that they have executed landmark agreements to further consolidate the Pilbara region, initially through a combination of the South East Pilbara iron ore assets of Atlas and FerrAus. This will create a substantial and attractive South East Pilbara focussed iron ore development and exploration company with a substantial land holding and resource inventory.

Immediately after the Subscription and Iron Ore Assets Acquisition are approved by FerrAus shareholders and completed, Atlas has agreed to make an off-market takeover offer for all FerrAus shares on issue on the basis of 1 Atlas share for every 4 FerrAus shares, which has an implied offer price of \$0.858 per share<sup>1</sup> and represents a significant premium of 34% to FerrAus’ closing price on 24 June 2011 and 38% based on Atlas 10 day VWAP on 24 June.

FerrAus’ Chief Executive Officer, Cliff Lawrenson said:

*“This move represents an exciting step in the consolidation of the Pilbara. From FerrAus’ perspective we see tremendous strategic rationale in the combination of both companies’ South East Pilbara assets in one vehicle. Not only does it significantly enhance FerrAus’ resource base and provide valuable economies of scale, but it also creates a larger, well-funded company with a strong supportive shareholder to provide for the development of those assets.*

*“Ultimately however, we believe there are significant additional benefits for all stakeholders flowing from a combination of 100% of both FerrAus and Atlas through this recommended takeover to achieve consolidation of the wider Pilbara region.*

*“We strongly consider both transactions to be attractive propositions for FerrAus shareholders that provide real value and represent a superior alternative to either the current takeover offer from Wah Nam or proceeding on a stand-alone basis.”*

Atlas’ Managing Director, David Flanagan added:

*“This is an amazing opportunity for both groups of shareholders to share in the benefits of consolidating these strategically important iron ore assets. While the most attractive outcome is the combination of the two companies, the strategic merit of combining the South East Pilbara assets is undeniable. It substantially grows the resource inventory of FerrAus and injects considerable opportunity for rapid growth in resources through continued exploration, while providing the leverage required to pursue infrastructure development in the region.”*

### **Subscription and Iron Ore Assets Acquisition**

Atlas and FerrAus have executed a Subscription Agreement for Atlas to subscribe approximately \$24.3 million for 37,439,785 FerrAus shares, and a binding Asset Purchase Agreement pursuant to which Atlas has agreed to sell, and FerrAus has agreed to buy, South East Pilbara iron ore assets owned by Atlas that have strong synergies with FerrAus’ existing 331Mt<sup>2</sup> DSO iron ore resources, in consideration for 121,846,154 FerrAus shares. The Subscription and Iron Ore Assets Acquisition will result in Atlas becoming FerrAus’ largest shareholder with a 38.3% holding upon completion on a fully diluted basis, and will be subject to FerrAus shareholder approval. The shares issued to Atlas in consideration for the Iron Ore Assets Acquisition will be escrowed for 12 months. The transactions are subject to the approval of FerrAus shareholders and the Iron Assets Acquisition is also subject to obtaining third party consents.

FerrAus’ Directors unanimously recommend that FerrAus shareholders vote in favour of the Subscription and the Iron Ore Assets Acquisition, subject to the opinion of an independent expert.

### **Rationale for Subscription and Iron Ore Assets Acquisition**

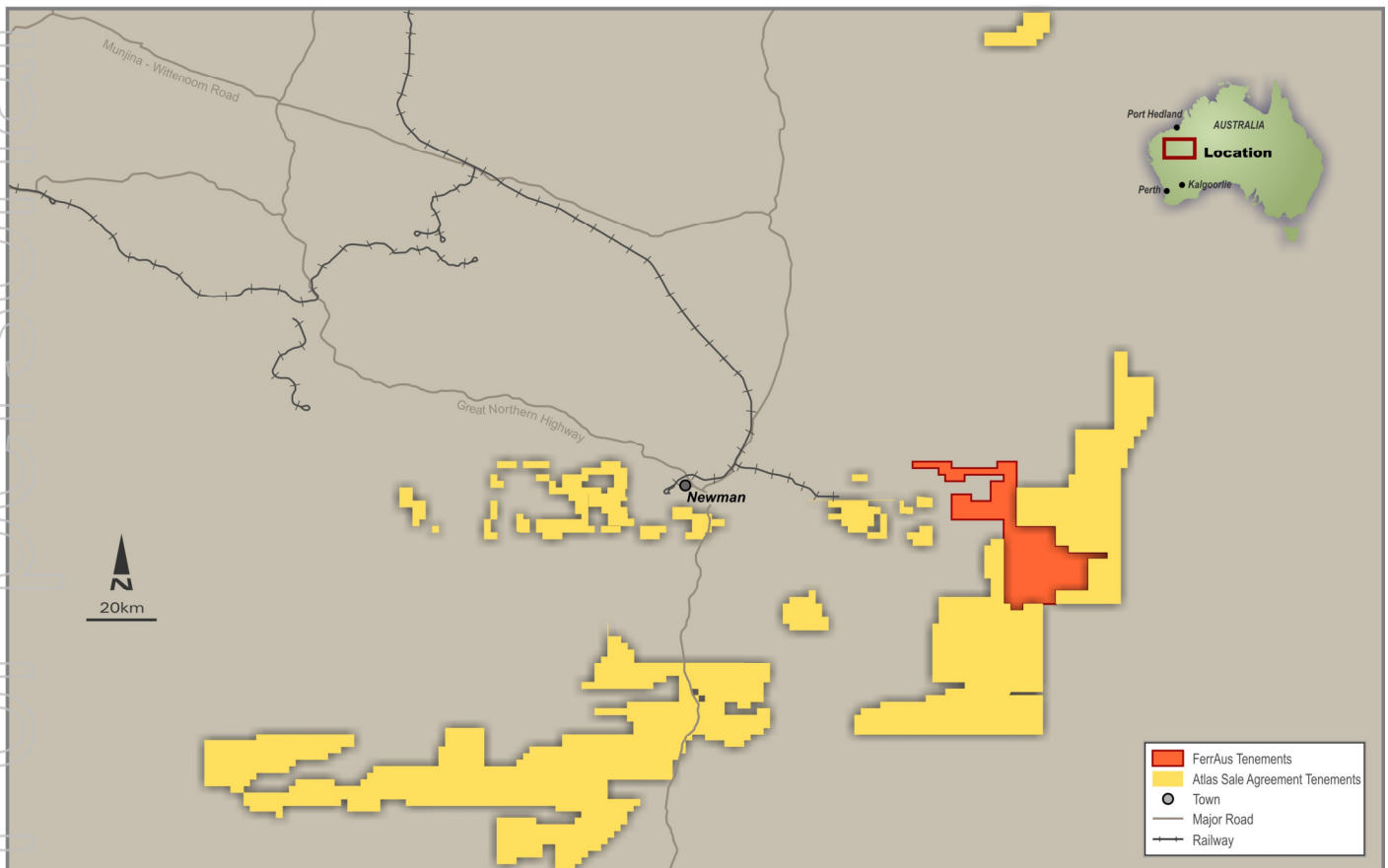
Both Atlas and FerrAus recognise the very significant benefits to be realised by their respective shareholders in consolidating their iron ore assets in the South East Pilbara, including:

<sup>1</sup> Based on Atlas’ last close price of \$3.43 and 10 day VWAP of \$3.53, and a FerrAus last close of 64 cents on 24 June 2011.

<sup>2</sup> Refer to Annexure D Summary Resources and Reserves Tables for further details



- All FerrAus shareholders (including Atlas and indirectly its shareholders) will benefit from a combined 489Mt<sup>3</sup> of DSO resources in the South East Pilbara, and additional exploration targets in a highly prospective significant landholding position in the region;
- The respective assets have significant geographical synergies, with several of the Atlas tenements being contiguous, including along strike, to FerrAus' advanced projects;
- The increased project scale and resource base will bring valuable economies of scale and will provide FerrAus with much greater leverage to pursue the development of an independent infrastructure solution in the South East Pilbara;
- Consolidating the two companies' South East Pilbara asset portfolios creates the potential to substantially reduce overall capital and operating costs. In addition, the combined entity will have increased access to funding, enabling it to more readily fund the business in a cost effective manner;
- Ensuring FerrAus is well funded to pursue the next stage of development including the completion of the definitive feasibility study at Davidson Creek and Robertson Range, funding for the development of the North West Infrastructure Port as well as an exploration programme over the entire portfolio; and
- Introducing the support of Atlas, an iron ore producer with significant project development and production experience, financial strength, a demonstrated capacity to find infrastructure solutions, and very strong and rapidly growing cashflows from iron ore production in the Pilbara.



**Map of the Combined South East Pilbara Assets**

<sup>3</sup> Refer to Annexure D Summary Resources and Reserves Tables for further details



## Atlas Takeover Offer Details

Atlas and FerrAus have executed a Bid Implementation Agreement (“BIA”), pursuant to which Atlas has agreed to offer FerrAus shareholders 1 Atlas share for every 4 FerrAus shares, which implies an offer price of \$0.858<sup>4</sup> per FerrAus share, representing a premium of 34% to FerrAus’ closing share price on 24 June 2011<sup>5</sup>. The Atlas Offer is subject to the completion of the Subscription and the Iron Ore Assets Acquisition, as well as other customary terms and conditions.

The combined entities will have a pro-forma market capitalisation in excess of \$3 billion.

In the absence of a Superior Proposal, each FerrAus Director recommends that FerrAus Shareholders accept the Atlas Offer, unless the Independent Expert opines at any time that it is not fair and is not reasonable, and each FerrAus Director will accept, or procure the acceptance of, the Atlas Offer in respect of all the FerrAus Shares that they hold or in which they otherwise have a relevant interest.

## Atlas Takeover Offer Rationale and Benefits for FerrAus Shareholders

The transaction is a logical fit between two companies with highly complementary assets. FerrAus considers the Atlas Takeover Offer to be superior to the current Wah Nam takeover offer as a result of the following benefits:

- Premium – The Atlas Takeover Offer provides FerrAus shareholders with strong premium to the current trading value of a FerrAus share based on Atlas’ current trading value, which is supported by its attractive asset base and trading liquidity.
- Immediate Cash Flow – The Atlas Takeover Offer will provide FerrAus shareholders with exposure to Atlas’ strong cashflow from its existing iron ore production and rapidly growing production profile from a number of development projects.
- Financial Capacity – Atlas’ robust balance sheet and strong cashflows from operations provides the financial capacity to pursue the development of FerrAus’ Pilbara Iron Ore Project.
- Improved Liquidity - FerrAus shareholders will receive shares in Atlas, an S&P/ASX 100 company, and will enjoy the benefits of holding an investment in a company with far greater liquidity.
- Improved Access to Infrastructure – Atlas and FerrAus will have a combined current and future allocation of 46.5Mtpa at the port facilities (constructed or planned to be constructed) in Port Hedland’s inner harbour, and an indicative allocation of up to 10Mtpa at Anketell Port. This port allocation is of significant strategic importance to maximise value from FerrAus’ DSO resources.
- Increased Market Presence – the increase in the combined resource tonnage will lead to greater market penetration and presence.
- Proven Expertise - Atlas has a proven track record of exploration, developing iron ore mines and exporting iron ore.

## Exclusivity Arrangements

Atlas and FerrAus have agreed exclusivity arrangements in relation to the Atlas Takeover Offer, under which the parties have agreed that unless the BIA is terminated, FerrAus will not solicit any competing proposal or participate in any discussions or negotiations in relation to any competing proposal (unless failure to do so would involve a breach of the fiduciary duties of its Directors). The BIA also confers a matching right to Atlas, such that FerrAus must provide immediate notification of a competing proposal to Atlas, and allow Atlas to counter-offer. See Annexure C for a copy of the BIA.

## Conditions of the Atlas Offer

<sup>4</sup> Based on Atlas’ last close price of \$3.43 on 24 June 2011

<sup>5</sup> Based on FerrAus’ last close price of \$0.64 on 24 June 2011



The Atlas Offer is conditional upon FerrAus shareholder approval and completion of the Subscription and the Iron Ore Assets Acquisition, as well as other customary terms and conditions, including the following:

- Minimum acceptance condition of 50.1%;
- No Material Adverse Change in relation to FerrAus; and
- No Prescribed Occurrences in relation to FerrAus.

In addition, Atlas will declare its offer for FerrAus to be free of all defeating conditions upon achieving acceptances of 50.1%.

The Atlas Offer conditions are set out in full in schedule 1 to the BIA (see Annexure A), and a summary of the terms and conditions of the Subscription and Iron Ore Assets Acquisition are set out in Annexure B and Annexure C respectively.

Full particulars of the Atlas Takeover Offer will be provided in the Bidder's Statement that Atlas expects will be mailed to FerrAus shareholders following shareholder approval and completion of the Subscription and Iron Ore Assets Acquisition.

#### **Indicative Timetable**

The indicative timetable in relation to the Atlas Offer, Subscription and Iron Ore Assets Acquisition is set out below.

20 July 2011	Notice of Meeting and Independent Expert's Report despatched to FerrAus shareholders
17 August 2011	General Meeting of FerrAus shareholders to approve Subscription and Iron Ore Assets Acquisition
18 August 2011	Atlas lodges Bidder's Statement with ASIC and ASX and serves it on FerrAus, and FerrAus lodges its Target's Statement with ASIC and ASX and serves it on Atlas
19 August 2011	Atlas despatches Bidder's Statement to FerrAus shareholders, and FerrAus despatches its Target's Statement to FerrAus shareholders
19 August 2011	Atlas Offer opens
24 August 2011	Allotment of Subscription shares and Iron Ore Asset Acquisition consideration shares to Atlas
19 September 2011	Atlas Offer closes (unless extended)

#### **Other Matters**

The Atlas Offer extends to any FerrAus shares that are issued as a result of the exercise of FerrAus options or conversion of FerrAus Class B performance shares during the Atlas Offer period. Atlas also intends to enter into private treaty arrangements with FerrAus optionholders to acquire or cancel their options in exchange for Atlas shares on terms comparable to the Atlas Takeover Offer.

The Atlas Board will remain unchanged following the transaction with FerrAus.

Atlas' corporate adviser is Hartleys Limited, legal adviser is Blake Dawson and in-China corporate advisor Satori Investments. FerrAus' corporate adviser is Gryphon Partners and its legal adviser is Hardy Bowen.

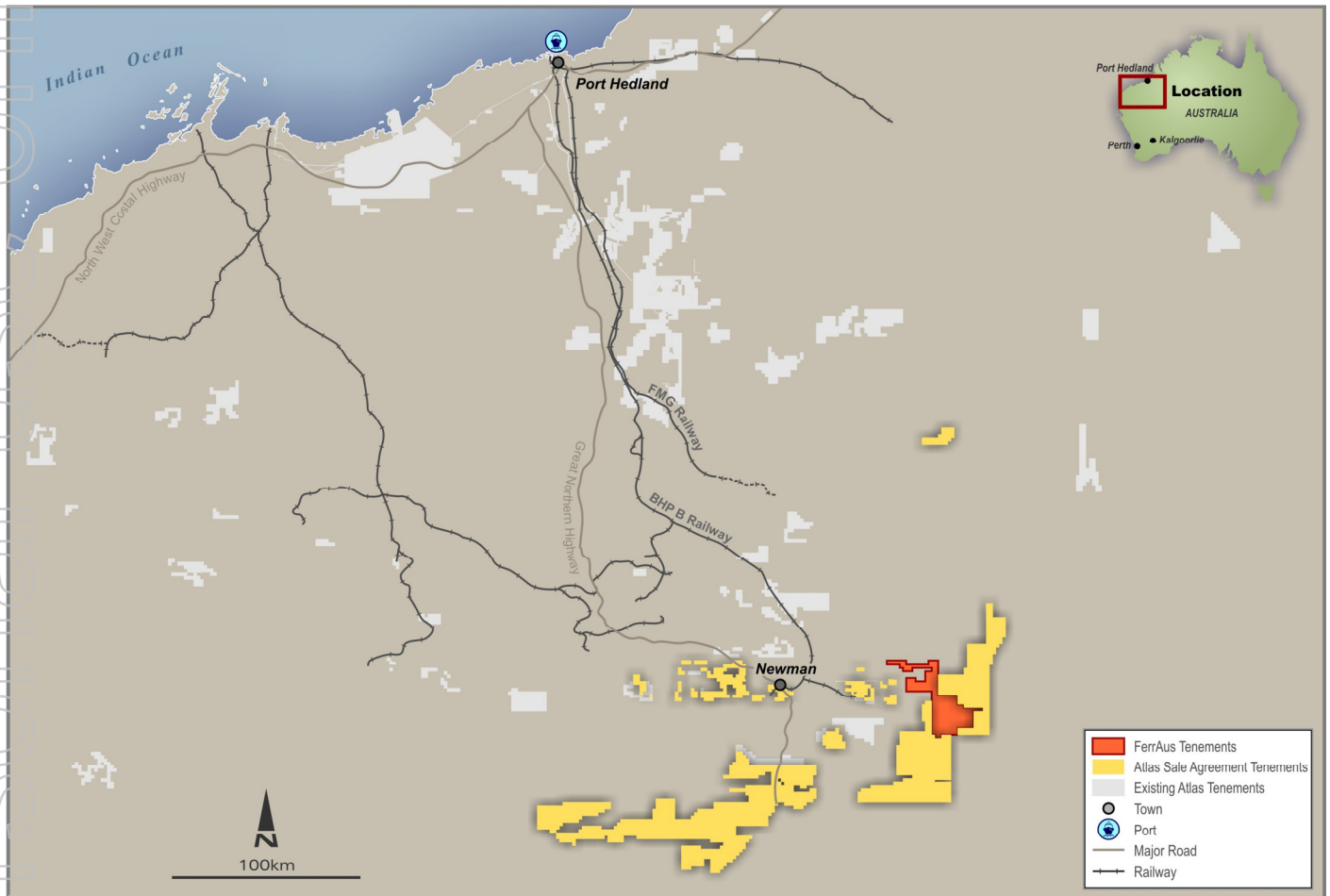
#### **Background of FerrAus**

FerrAus is an ASX listed mine development and exploration company, with a focus on iron ore and manganese in the South East Pilbara region of Western Australia. FerrAus is currently progressing development of the FerrAus Pilbara Project, and is currently completing a definitive feasibility study in respect of the project. The company owns another exploration project in Western Australia, the Enachedong Manganese Project, located in the East Pilbara near the operating Woodie Woodie mine.



## Background of Atlas

Atlas is currently mining and exporting at an annualised rate of 6Mtpa from its 100%-owned Pardoo and Wodgina Iron Ore Projects, located 75 and 100 kilometres by road from Port Hedland in the Pilbara region of Western Australia. In addition, Atlas is progressing development at its Mt Webber and Abydos DSO Projects. When combined with additional export tonnages from its existing Pardoo and Wodgina DSO mines, Atlas is targeting DSO exports at an annualised rate of 12Mt by 2012.



Map of the Combined Pilbara Assets

For personal use only



## Annexure A – Bid Implementation Agreement

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## **Bid Implementation Agreement**

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**FerrAus Limited**  
ABN 86 097 422 529

**Atlas Iron Limited**  
ABN 63 110 396 168

### **Blake Dawson**

Level 36, Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Australia  
T 61 2 9258 6000  
F 61 2 9258 6999

**Reference**  
MRW EWN 09-2011-1861

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# Bid Implementation Agreement

DATE 26<sup>th</sup> June 2011

## PARTIES

**FerrAus Limited**  
ABN 86 097 422 529 (**FerrAus**)

**Atlas Iron Limited**  
ABN 63 110 396 168 (**Atlas**)

## 1. THE BID

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### 1.1 The Bid

- (a) Atlas agrees to make the Bid; and
- (b) Atlas and FerrAus agree to make the Agreed Announcement to ASX as soon as practicable after the parties have executed this document.

### 1.2 Atlas may use subsidiary

- (a) Atlas may satisfy its obligations under clause 1.1 by causing a wholly-owned subsidiary to do the things referred to in clauses 1.1(a) and (b). If Atlas does that, then references to:
  - (i) the Bid are references to the Bid by the subsidiary; and
  - (ii) Atlas making the Bid are references to Atlas causing the subsidiary to make the Bid.
- (b) If clause 1.2(a) applies, Atlas:
  - (i) must procure that its relevant subsidiary performs Atlas's obligations under this document; and
  - (ii) guarantees to FerrAus the performance of those obligations by that subsidiary.

### 1.3 FerrAus's assessment of the Bid

FerrAus represents and warrants to Atlas that:

- (a) the FerrAus Board has met and considered the possibility of Atlas agreeing to make the Bid; and
- (b) all of the members of the FerrAus Board have informed FerrAus that, if Atlas complies with clause 1.1:
  - (i) the FerrAus Board will unanimously recommend that, in the absence of a Superior Proposal, FerrAus Shareholders accept the offers to be made to them under the Bid, unless the Independent Expert opines at any time that the Bid Offer is not fair and is not reasonable; and

- (ii) in the absence of a Superior Proposal, each member of the FerrAus Board will accept, or procure the acceptance of, each Bid Offer in respect of all the FerrAus Shares that they hold or in which they otherwise have a Relevant Interest.
- (c) A recommendation of the FerrAus Board will for the purposes of this document be deemed to be unanimous if all FerrAus Directors vote in favour of the resolution other than those precluded from doing so because of a material personal interest or some other actual or potential conflict of interest. Other than as disclosed by FerrAus to Atlas, FerrAus represents and warrants that, as at the date of this document, it is not aware of any FerrAus Director having any such material personal interest or other actual or potential conflict of interest.

## **2. FACILITATING THE BID**

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### **2.1 Reasonable access**

To the extent reasonably required in connection with the Bid, during the Exclusivity Period, FerrAus will use its reasonable endeavours to provide Atlas with access to:

- (a) the books and records of FerrAus;
- (b) any information reasonably requested by Atlas; and
- (c) FerrAus's senior management, external auditors and accountants and other advisers,

subject to any existing confidentiality obligations owed to third parties or applicable privacy laws and provided that such access is reasonably necessary for Atlas and does not place an unreasonable burden on the ability of FerrAus to run its business.

All information provided under this document is subject to the terms of the Confidentiality Deed. For the avoidance of doubt, nothing in this document or the Confidentiality Deed restricts Atlas from including any information in the Bidder's Statement for the purpose of, and only to the extent reasonably necessary for, complying with the Corporations Act, the ASX Listing Rules or any other applicable law and listing rules provided always that Atlas, to the extent reasonably practicable, consults in good faith with FerrAus as to the form and content of any such disclosures before that information is disclosed in that Bidder's Statement.

### **2.2 Consultation regarding Bidder's Statement and Target's Statement**

- (a) Atlas will give FerrAus a reasonable opportunity (as set out in the indicative timetable in clause 2.5) to review an advanced draft of the Bidder's Statement in respect of the Bid, and will consult in good faith with FerrAus with respect to any comments FerrAus may have on that Bidder's Statement.
- (b) FerrAus will give Atlas a reasonable opportunity (as set out in the indicative timetable in clause 2.5) to review an advanced draft of the Target's Statement (including the draft Independent Expert's Report) in respect of the Bid, and will consult in good faith with Atlas with respect to any comments Atlas may have on that Target's Statement (excluding the Independent Expert's Report except to the extent that such comments relate to factual matters concerning Atlas).

### **2.3 Early despatch of offers**

- (a) For the purposes of item 6 in section 633(1) of the Corporations Act and subject to complying with clause 2.3(b), FerrAus agrees that offers under the Bid may be

sent to the holders of FerrAus Shares on the day on which the finalised Bidder's Statement for the Bid is sent to FerrAus or within 28 days after that day.

- (b) Clause 2.3(a) is subject to Atlas providing FerrAus with a final draft of its Bidder's Statement for review not less than 3 Business Days before it is lodged with ASIC under item 2 of section 633(1) of the Corporations Act.

#### 2.4 Target's Statement

Subject to clause 2.3(a), FerrAus must use its reasonable endeavours to despatch the Target's Statement to FerrAus Shareholders at the same time or as soon as practicable after the Bidder's Statement in respect of the Bid is sent to FerrAus Shareholders.

#### 2.5 Indicative timetable

- (a) Without prejudice to the remainder of the obligations contained in this clause 2, each party must take all necessary steps to comply with the following indicative timetable:

Monday, 27 June 2011	Release of Agreed Announcement
Thursday, 14 July 2011	FerrAus provides advanced draft Notice of Meeting to Atlas (including a draft of the independent expert's report)
Monday, 18 July 2011	Despatch Notice of Meeting
Thursday, 11 August 2011	Atlas provides advanced draft Bidder's Statement to FerrAus under clause 2.2(a)  FerrAus provides advanced draft Target's Statement to Atlas (including a first draft of the Independent Expert's Report under clause 2.2(b))
Wednesday, 17 August 2011	FerrAus Extraordinary General Meeting
Thursday, 18 August 2011	Atlas lodges Bidder's Statement with ASIC and ASX and serves it on FerrAus  FerrAus lodges Target's Statement with ASIC and ASX and serves it on Atlas
Friday, 19 August 2011	Atlas despatches Bidder's Statement  FerrAus despatches Target's Statement
Friday, 19 August 2011	Bid Offer Period Opens
Monday, 19 September 2011	Close of Offer (unless extended)

- (b) If the dates in the timetable in clause 2.5(a) become unachievable due to events beyond their control, the parties will consult in good faith to agree necessary amendments to the timetable.

## **2.6 Conduct of business**

During the Exclusivity Period, FerrAus must carry on its business in accordance with normal and prudent practice and in the ordinary course. For the purposes of this clause 2.6, responding to the Bid and any Competing Proposal (together with all associated activity and expenditure) in accordance with this document is deemed to be FerrAus carrying on its business in the ordinary course.

## **2.7 Promote the Bid**

In the absence of:

- (a) a Superior Proposal; or
- (b) the Independent Expert opining at any time that the Bid Offer is not fair and is not reasonable,

then to the extent reasonably requested to do so by Atlas during the Exclusivity Period, FerrAus will support the Bid and participate in efforts reasonably required by Atlas to promote the merits of the Bid by using reasonable efforts to meet with FerrAus Shareholders, analysts, management, and other parties mutually agreed (together with Atlas, to the extent reasonable) in relation to the Bid, but only to the extent that the FerrAus Board or the relevant director considers they may do so without breaching their legal or fiduciary duties including with respect to confidentiality.

## **2.8 Bid Conditions**

- (a) FerrAus agrees not to do (or omit to do) anything which will, or is reasonably likely to, result in any of the Bid Conditions being breached.
- (b) Nothing in this clause 2 prevents FerrAus or the FerrAus Board from taking, or failing to take, action where to do otherwise would or is reasonably likely to, in the opinion of the FerrAus Board, constitute a breach of the legal or fiduciary duties of the directors of FerrAus. The opinion of the FerrAus Board must be based on specific written legal advice given by a Senior Counsel.
- (c) To avoid any doubt, in this document, a reference to a Bid Condition being breached includes a reference to a Bid Condition not being, or not being capable of being, satisfied.
- (d) If any event occurs or becomes apparent to a party which would cause any of the Bid Conditions to be breached, that party must, to the extent that it is actually aware of such information, immediately notify the other party in writing of the event.
- (e) FerrAus agrees to use its reasonable endeavours to ensure satisfaction of the Bid Conditions set out in section (f) of Schedule 1.

## **2.9 FerrAus Options**

- (a) If the Bid Condition set out in section (a) of Schedule 1 ("Minimum Acceptance Condition") is satisfied, Atlas must make an offer to acquire all of the FerrAus Options (outstanding as at such date) from each holder of FerrAus Options or seek such holder's consent for the cancellation of its FerrAus Options, for the FerrAus Option Consideration. If accepted, the acquisition or cancellation of those FerrAus Options must be completed within 1 month of the making of such offer.
- (b) At any time during the Offer Period, Atlas may make an offer to acquire all of the FerrAus Options (outstanding as at such date) from each holder of FerrAus

Options or seek such holder's consent for the cancellation of its FerrAus Options, for the FerrAus Option Consideration. If accepted, the acquisition or cancellation of those FerrAus Options must be completed within 1 month of the making of such offer.

- (c) FerrAus must ensure the FerrAus Board:
  - (i) does all things and takes all actions required by the terms of the FerrAus Options, the ASX Listing Rules, the Corporations Act and the FerrAus Constitution in respect of the FerrAus Options and any offer made under clause 2.9(a); and
  - (ii) does not exercise any discretion given to FerrAus or the FerrAus Board under the terms of the FerrAus Options or the FerrAus Constitution with respect to the FerrAus Options without the prior written consent of Atlas (such consent not being unreasonably withheld or delayed).

## 2.10 Independent Expert's Report

- (a) Atlas acknowledges that FerrAus will be obtaining an Independent Expert's Report which will be sent to FerrAus Shareholders together with the Target's Statement.
- (b) FerrAus agrees to:
  - (i) allow Atlas reasonable access to the Independent Expert upon reasonable notice given by Atlas to FerrAus, subject to:
    - (A) FerrAus and its representatives being entitled to be present at all discussions or meetings with the Independent Expert; and
    - (B) the preservation of the independence of such expert; and
  - (ii) use its reasonable endeavours to provide a copy of the first draft of the Independent Expert's Report (along with an advanced draft of the Target's Statement) as soon as practicable upon receipt of such draft from the Independent Expert.
- (c) Atlas acknowledges that the Independent Expert's Report included with the Target's Statement may be updated from time to time by the Independent Expert to reflect events and circumstances subsequent to the issue of the report and that references in this document to the opinion of the Independent Expert include references to that opinion as varied or supplemented at any time.

## 2.11 Board appointments

Conditional upon Atlas declaring the Bid to be free from all Bid Conditions and Atlas having a Relevant Interest in at least 50.1% of all the FerrAus Shares on a fully diluted basis:

- (a) Atlas will have the right to nominate any person or persons to be appointed as a director of the FerrAus Board (**Atlas Nominees**);
- (b) FerrAus must ensure that:
  - (i) the FerrAus Board promptly appoints each Atlas Nominee as a casual or additional director of the FerrAus Board until the next annual general meeting of FerrAus; and
  - (ii) upon such appointments becoming effective, the other directors of the FerrAus Board and the then directors of each of FerrAus's subsidiaries resign.

## 2.12 Post Completion

Conditional upon Atlas declaring the Bid to be free from all Bid Conditions and Atlas having a Relevant Interest in at least 50.1% of all the FerrAus Shares on a fully diluted basis:

- (a) Atlas will procure that FerrAus maintains the same directors and officers insurance cover as is in place at the date of this document;
- (b) Atlas will procure that FerrAus complies with the deeds of indemnity provided by FerrAus in favour of each of member of the FerrAus Board; and
- (c) each party agrees that it will release its rights against any past or present director of the other party in relation to the entry into this document to the extent that the past or present director has acted in good faith, exercised due care and diligence and has not engaged in any misleading or deceptive conduct (including by omission or otherwise).

## 3. TAKEOVER OFFER

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### 3.1 Variation

- (a) Atlas may vary the terms of the Bid in any manner permitted by the Corporations Act provided the varied terms are no less favourable to FerrAus Shareholders than the Agreed Bid Terms.
- (b) Atlas may adjust the offer price under the Bid by the amount of any dividends or distributions paid to holders of FerrAus Shares after the Announcement Date.

### 3.2 Waiver of conditions and extension

- (a) Subject to the Corporations Act and clause 3.2(b), Atlas may declare the Bid to be free from any Bid Condition or extend the Bid at any time.
- (b) If during, or at the end of, the Offer Period, the Bid Condition set out in section (a) of Schedule 1 ("Minimum Acceptance Condition") is satisfied, Atlas agrees to declare as soon as practicable the Bid as being wholly unconditional.

## 4. COMPENSATING AMOUNT

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### 4.1 Undertaking given by FerrAus

Subject to clause 4.3 and the parties having released the Agreed Announcement in accordance with clause 1.1, FerrAus undertakes to pay the Compensating Amount to Atlas if:

- (a) FerrAus accepts or enters into or offers to accept or enter into, any agreement arrangement or understanding regarding a Competing Proposal;
- (b) any FerrAus Director does not recommend the Bid or withdraws or adversely modifies an earlier recommendation (unless the Independent Expert opines at any time that the Bid Offer is not fair and is not reasonable) or approves or recommends or makes an announcement in support of a Competing Proposal or announces an intention to do any of these acts;
- (c) FerrAus or any of its directors does (or omits to do) anything (whether or not it may be permitted by the terms of this document) which results in any of the Bid

Conditions being breached and Atlas does not declare the Bid Offer free of the breached condition (which Atlas is under no obligation to do); or

- (d) there is a material breach of any of clauses 1 (The Bid), 2.7 (Promote the Bid), 5 (Exclusivity), 6 (Budget) and 8 (Additional Warranties by FerrAus) by FerrAus and Atlas terminates this document in accordance with clause 11 as a result of such breach.

#### **4.2 Undertaking given by Atlas**

Subject to the parties having released the Agreed Announcement in accordance with clause 1.1, Atlas undertakes to pay the Compensating Amount to FerrAus if it fails to proceed with the Bid, except as a result of:

- (a) the occurrence of an event or circumstance which would entitle Atlas to the payment of the Compensating Amount under clause 4.1; or
- (b) the termination of this document by Atlas in accordance with clause 11.

#### **4.3 Exception**

Notwithstanding clause 4.1, no Compensating Amount (excluding any Compensating Amount to which Atlas becomes entitled prior to the event or circumstance giving rise to the right of termination occurring) is payable by FerrAus to Atlas where FerrAus terminates this document in accordance with clause 11.

#### **4.4 Compensating Amount**

The Compensating Amount is \$2,200,000 plus the amount of any GST payable.

#### **4.5 Acknowledgments**

- (a) FerrAus acknowledges that:
  - (i) the Compensating Amount is reasonable in the context of the Bid; and
  - (ii) significant benefits will flow to FerrAus and the FerrAus Shareholders from Atlas making the Bid.
- (b) Atlas acknowledges that:
  - (i) the Compensating Amount is reasonable in the context of the Bid; and
  - (ii) FerrAus and the FerrAus Shareholders will suffer significant detriment if Atlas fails to proceed with the Bid.
- (c) Each of FerrAus and Atlas acknowledge and agree that the Compensating Amount represents reasonable compensation for any circumstance giving them the right to claim the Compensating Amount and that following receipt of the Compensating Amount they will have no other claim in respect of such circumstance, whether under this document or otherwise.

#### **4.6 Warranty**

Atlas warrants that FerrAus's entering into this document is necessary to induce Atlas to make the Bid.



#### 4.7 Demand for payment

Any demand by either party for payment of the Compensating Amount (**Demanding Party**) must be in writing stating the circumstances giving rise to the payment and the party must pay the Compensating Amount to the Demanding Party within 5 Business Days of receipt of the demand and the Demanding Party being entitled to the Compensating Amount under clause 4.1 or 4.2.

#### 4.8 Repayment

Despite any event in clause 4.1 occurring, if Atlas ultimately acquires beneficial ownership of not less than 50.1% of FerrAus Shares on a fully diluted basis within 3 months after the date of this document, then Atlas must promptly repay to FerrAus any amount received under clause 4.1 (except any amounts received under sub-clauses 4.1(a), (b) and (c)) which has not already been refunded under clause 4.9.

#### 4.9 Compliance with law

- (a) **Unlawful Amount** means all or any part of the payment required to be made under clauses 4.1 or 4.2 that is found by the Takeovers Panel or a court to be unlawful, involve a breach of director's duties or to constitute Unacceptable Circumstances.
- (b) If the Takeovers Panel or a court finds an Unlawful Amount, and the period for lodging an application for review or a notice of appeal of that decision has expired without such application or notice having been lodged or if an application for review or a notice of appeal has been lodged with the Takeovers Panel or a court within the prescribed period and the relevant review Panel or court finds an Unlawful Amount, then:
  - (i) the undertaking under clause 4.1 or 4.2 (as applicable) does not apply to the extent of the Unlawful Amount; and
  - (ii) the Demanding Party must within 3 Business Days refund any Unlawful Amount paid to the Demanding Party under this document.

#### 4.10 Fiduciary exceptions

Notwithstanding any provision in this clause 4:

- (a) the undertaking in clause 4.1 shall not apply in circumstances where FerrAus or the FerrAus Board is required to do or refrain from doing anything where doing or refraining from doing that thing would or is reasonably likely to, in the opinion of the FerrAus Board, involve a breach of the duties of the FerrAus Directors. The opinion of the FerrAus Board must be based on specific written legal advice given by a Senior Counsel; and
- (b) the undertaking in clause 4.2 shall not apply in circumstances where Atlas or the Atlas Board is required to do or refrain from doing anything where doing or refraining from doing that thing would or is reasonably likely to, in the opinion of the Atlas Board, involve a breach of the duties of the directors of Atlas. The opinion of the Atlas Board must be based on specific written legal advice given by a Senior Counsel.

## 5. EXCLUSIVITY

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### 5.1 Cease existing discussions

FerrAus must cease any existing discussions or negotiations relating to a Competing Proposal upon the execution of this document.

### 5.2 No-shop restriction

During the Exclusivity Period, FerrAus must ensure that neither it nor its directors, officers, employees, agents or advisers on its behalf directly or indirectly solicits, invites, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any other person in relation to a Competing Proposal.

### 5.3 No-talk restriction

Subject to clause 5.6, during the Exclusivity Period, FerrAus must ensure that neither it nor any of its directors, officers, employees, agents or advisers negotiates or enters into, continues or participates in negotiations or discussions with any other person regarding a Competing Proposal, even if:

- (a) the Competing Proposal was not directly or indirectly solicited, initiated or encouraged by FerrAus; or
- (b) the other person has publicly announced its Competing Proposal.

### 5.4 Compliance with law

- (a) If a court or the Takeovers Panel determines that any obligation of FerrAus under this clause 5 or any part thereof:
  - (i) constituted, or constitutes, or would constitute, a breach of fiduciary or statutory duties of the FerrAus Board or FerrAus; or
  - (ii) constituted, or constitutes, or would constitute, Unacceptable Circumstances; or
  - (iii) was, or is, or would be, unlawful for any other reason,then, to that extent, FerrAus will not be obliged to comply with the relevant obligation.
- (b) In Takeovers Panel proceedings, if the Takeovers Panel indicates to FerrAus and Atlas or either of them that in the absence of a written undertaking pursuant to section 201A of the *Australian Securities and Investments Commission Act 2001(Cth)* it will make a declaration of Unacceptable Circumstances in relation to any of FerrAus's obligations under this clause 5.4, each of Atlas and FerrAus (as the case may be) may give that undertaking on their own behalf and must give reasonable consideration to giving that undertaking if requested by the other party. Where such undertakings are given, this clause 5.4 will operate in a manner consistent with the terms of such undertakings.
- (c) If the court or the Takeovers Panel consents, FerrAus must allow Atlas (at Atlas's cost) to participate with FerrAus in any action or proceedings referred to in this clause 5.4.

## 5.5 Disclosure of Competing Proposal

During the Exclusivity Period, FerrAus must promptly notify Atlas in writing of:

- (a) any approach, inquiry or proposal made to, and any attempt to initiate negotiations or discussions with FerrAus or any of its representatives with respect to any bona fide Competing Proposal (whether unsolicited or otherwise); or
- (b) any request for information relating to FerrAus or any of their businesses or operations or any request for access to FerrAus's books or records, which FerrAus has reasonable grounds to suspect may relate to a current or future Competing Proposal,

which notice must include reasonable details of the applicable matter (including the identity of the third person and, if applicable, all material terms of the Competing Proposal).

## 5.6 Exception

FerrAus is not required to comply with its obligations under clause 5.3 in any particular case to the extent that compliance with the relevant obligation would or is reasonably likely to constitute, in the opinion of the FerrAus Board, based on written legal advice given by a Senior counsel, a breach of any of the legal or fiduciary duties of the FerrAus Directors.

## 5.7 Normal provision of information

Nothing in this clause 5 prevents FerrAus from:

- (a) providing information to its representatives;
- (b) providing information required to be provided to ASX, ASIC or the Takeovers Panel (or any other Public Authority, if required by applicable law); or
- (c) making presentations to, and responding to enquiries from, brokers, portfolio investors or analysts in the ordinary course of business.

## 5.8 Matching Right

- (a) If, during the Exclusivity Period:
  - (i) FerrAus receives a proposal in relation to a bona fide Superior Proposal; or
  - (ii) the consideration for an existing offer is varied such that it is determined by the FerrAus Board acting in good faith to be a Superior Proposal,

FerrAus must immediately give Atlas notice in writing of that fact and, in the case of a notice provided in accordance with sub-clause 5.8(a)(i), FerrAus must provide all details of the Superior Proposal, including details of the proposed acquirer.

- (b) If FerrAus gives Atlas a notice under clause 5.8(a):
  - (i) FerrAus agrees that it will not, until the end of the third Business Day following the receipt of that notice by Atlas, enter into any legally binding agreement with respect to the Superior Proposal; and
  - (ii) Atlas agrees that the notice will be deemed to be Confidential Information.
- (c) If FerrAus gives Atlas a notice under clause 5.8(a), Atlas will have the right, but not the obligation, at any time until the end of the next Business Day following receipt of the notice to:

- (i) offer to amend the terms of the Bid; or
- (ii) propose any other transaction,

(each a **Counterproposal**), and if Atlas does so, the FerrAus Board must review the Counterproposal in good faith and in what the FerrAus Board considers is required to comply with its fiduciary or statutory duties, to determine whether the Counterproposal is equal to or more favourable to FerrAus Shareholders than the Superior Proposal.

- (d) If the FerrAus Board determines, in good faith and in order to satisfy what the FerrAus Board considers to be its fiduciary or statutory duties, that the Counterproposal is more favourable to FerrAus Shareholders than the Superior Proposal, then:
  - (i) if the Counterproposal contemplates an amendment to the Bid, the parties must enter into a document amending this document in relation to the Bid and reflecting the Counterproposal;
  - (ii) the FerrAus Board must make an announcement as soon as reasonably practicable recommending the Counterproposal, in the absence of a more favourable proposal, and the parties must pursue implementation of the Counterproposal in good faith; and
  - (iii) FerrAus must not take the step referred to in clause 5.8(e)(ii) for a period of three Business Days after such determination by the FerrAus Board.
- (e) For the purposes of this clause 5.8, each material successive modification of any Competing Proposal in relation to a Superior Proposal will be deemed to constitute a new proposal and the provisions of this clause will apply to each such new proposal.

## 6. BUDGET

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- (a) Each of Atlas and FerrAus acknowledge and agree that:
  - (i) the expenditure budget for the FerrAus business for the period commencing from the date of this document and expiring on 31 December 2011 has been provided to Atlas (**Budget**);
  - (ii) FerrAus must not during the period covered by the Budget deviate from, nor amend or vary, the Budget by an amount in excess of 15% of aggregated budget expenditure without obtaining the prior written consent of Atlas (not to be unreasonably withheld or delayed); provided that such consent shall be deemed to have been given if Atlas fails to respond to a written request by FerrAus within 5 business days of receipt of such request; and
  - (iii) upon the completion of the Asset Sale and the Atlas Placement, the parties will review the Budget and FerrAus agrees that, upon the receipt of a written request from Atlas proposing any amendment or variation to the Budget, it will consider, and if deemed appropriate will adopt, the proposed amendment or variation, at all times acting in good faith.
- (b) FerrAus will be released from any obligation under this clause 6 upon the earlier of the end of:
  - (i) the period referred to in clause 6(a); and

- (ii) the Exclusivity Period.
- (c) For the period commencing on the date of this document and expiring on 31 December 2011, FerrAus agrees it will not, nor will any subsidiary of FerrAus, dispose, offer to dispose or agree to dispose of, or create, or offer to create an equity interest in, any mineral asset (including any geological data) or an interest in any such asset (excluding those contemplated by the Budget) without prior consultation with Atlas.
- (d) Atlas and FerrAus agree that the Budget does not include any:
- (i) taxes, stamp duty or and other statutory costs; and
  - (ii) third party and advisor transaction costs,

FerrAus has incurred, or will incur, in relation to the Bid, the Asset Sale and the Atlas Placement.

## **7. WARRANTIES**

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Each party represents and warrants that:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to enter into this document and perform and observe all its terms;
- (c) this document constitutes its legal, valid and binding agreement enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform the agreement contained in this document; and
- (e) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets and no regulatory action has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document.

## **8. ADDITIONAL WARRANTIES BY FERRAUS**

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### **8.1 Warranties by FerrAus**

FerrAus represents and warrants to Atlas that:

- (a) Schedule 3 accurately records the total number and details of the FerrAus Shares, FerrAus Performance Shares and FerrAus Options on issue as at the date of this document. There are no other shares, options, notes or other securities of FerrAus and no rights to be issued such shares, options, notes or other securities;
- (b) as at the date it is provided to Atlas, to the best knowledge of the FerrAus Board, the FerrAus Due Diligence Information is true and accurate in all material respects and FerrAus has not knowingly or recklessly:
  - (i) omitted from the FerrAus Due Diligence Information, information, the disclosure of which might reasonably be expected to have resulted in Atlas

not entering into this document, or entering into it on materially different terms;

- (ii) omitted anything from the FerrAus Due Diligence Information such as to make any part of that information materially false or misleading;
  - (iii) included anything materially false or misleading in the FerrAus Due Diligence Information; or
  - (iv) denied access to requested information with the intention of misleading Atlas;
- (c) it is not aware of any act, omission, event or fact that would result in one or more of the Bid Conditions being breached; and
  - (d) it has complied with ASX Listing Rule 3.1 in relation to continuous disclosure and has (to the extent necessary to date) and will continue to comply with Division 4 of Part 6.5 and Chapter 6B of the Corporations Act.

## **8.2 No warranties given by the management of FerrAus**

Atlas agrees that no member of the senior management of FerrAus is providing a representation or warranty in respect of the accuracy or completeness of the FerrAus Due Diligence Information.

## **9. ADDITIONAL WARRANTIES FROM ATLAS**

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Atlas represents and warrants to FerrAus that:

- (a) as at the date it is provided to Atlas, to the best knowledge of the Atlas Board, the Atlas Due Diligence Information is true and accurate in all material respects and Atlas has not knowingly or recklessly:
  - (i) omitted from the Atlas Due Diligence Information, the disclosure of which might reasonably be expected to have resulted in FerrAus not entering into this document, or entering into it on materially different terms;
  - (ii) omitted anything from the Atlas Due Diligence Information such as to make any part of that information materially false or misleading;
  - (iii) included anything materially false or misleading in the Atlas Due Diligence Information; or
  - (iv) denied access to requested information with the intention of misleading FerrAus;
- (b) it is not aware of any act, omission, event or fact that would result in one or more of the Bid Conditions being breached; and
- (c) it has complied with ASX Listing Rule 3.1 in relation to continuous disclosure and has (to the extent necessary to date) and will continue to comply with Division 4 of Part 6.5 and Chapter 6B of the Corporations Act.

## **10. ANNOUNCEMENTS**

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### **10.1 No Announcement**

Neither party may make an announcement relating to the subject matter of this document or its termination or make public this document (or any of its terms) unless the announcement or publication:

- (a) is required by this document;
- (b) has the prior approval of the other party; or
- (c) is required to be made by any applicable law or the listing rules applicable to the party.

### **10.2 Notice of Announcement**

If a party is required to make an announcement under clause 10.1(c), it must, to the extent practicable without that party breaching any applicable law, give to the other party:

- (a) such notice as is reasonable in the circumstances of its intention to make the announcement; and
- (b) a draft of the announcement and an opportunity, which is reasonable in the circumstances, to comment on the contents of the draft announcement.

### **10.3 Announcement in respect of non-related matters**

If a party is required to make an announcement by any applicable law or the listing rules applicable to the party in respect of any matter other than in respect of the Bid, that party must, to the extent practicable without that party breaching any applicable law, give to the other party such notice as is reasonable in the circumstances of its intention to make the announcement.

## **11. TERMINATION**

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### **11.1 Termination rights**

This document may be terminated by either party by notice to the other party:

- (a) if the other party is in material breach of this document and that breach is not remedied by that other party within 10 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- (b) if a court or other Public Authority issues a final and non appealable order or ruling or takes an action which permanently restrains or prohibits the Offer; or
- (c) if Atlas withdraws the Bid for any reason including a non-satisfaction of a Condition.

### **11.2 Termination by Atlas**

This document may be terminated by Atlas by written notice to FerrAus if:

- (a) a Superior Proposal is made or publicly announced for FerrAus by a third party, which is recommended by the FerrAus Board and Atlas does not make a Counterproposal in accordance with clause 5.8 or otherwise; or

- (b) any member of the FerrAus Board does not recommend the Bid be accepted by FerrAus Shareholders or having recommended the Bid changes his recommendation in relation to the Bid.

### **11.3 Termination by FerrAus**

This document may be terminated by FerrAus by written notice to Atlas if:

- (a) subject to clause 11.5, the Independent Expert at any time opines that the Bid Offer is not fair and is not reasonable;
- (b) a Atlas Prescribed Occurrence occurs; or
- (c) a Superior Proposal is made or publicly announced for FerrAus by a third party, which is recommended by the FerrAus Board and Atlas does not make a Counterproposal in accordance with clause 5.8 or otherwise.

### **11.4 Effect of termination**

In the event that a party terminates this document under this clause 11 or if this document otherwise terminates in accordance with its terms:

- (a) each party will be released from its obligations under this document except its obligations under clauses 4 (Compensating Amount), 13 (General) and 14 (Interpretation);
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this document; and
- (c) in all other respects, all future obligations of the parties under this document will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Bid.

### **11.5 Consultation with Atlas**

In the event that the Independent Expert opines that the Bid Offer is not fair and is not reasonable and the FerrAus Board elects to change its unanimous recommendation of the Bid, then before FerrAus exercises any right of termination under clause 11.3(a), FerrAus will consult with Atlas regarding whether Atlas is prepared to amend the Bid in light of the opinion of the Independent Expert.

## **12. AMENDMENT AND ASSIGNMENT**

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### **12.1 Amendment**

This document can only be amended or replaced by another document executed by the parties.

### **12.2 Assignment**

A party may only assign, declare a trust over or otherwise deal with its rights under this document with the written consent of the other party.



## **13. GENERAL**

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### **13.1 Governing law**

- (a) This document is governed by the law of Western Australia.
- (b) Each party submits to the jurisdiction of the courts of Western Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document.

### **13.2 Liability for expenses**

Each party must pay its own expenses incurred in negotiating, executing, stamping and registering this document.

### **13.3 Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

### **13.4 No partnership or agency**

Nothing in this document is to be treated as creating a partnership and, except as specifically provided in this document, no party may act as agent of or in any way bind another party to any obligation.

### **13.5 Operation of this document**

- (a) This document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

### **13.6 GST**

- (a) Words defined in *A New Tax System (Goods and Services Tax) Act 1999* (Cth) have the same meaning in this clause.
- (b) If FerrAus pays Atlas the Compensating Amount under this document and that gives rise to a liability for GST, FerrAus must pay and indemnify Atlas on demand against the amount of that GST.
- (c) If Atlas pays FerrAus the Compensating Amount under this document and that gives rise to a liability for GST, Atlas must pay and indemnify FerrAus on demand against the amount of that GST.

- (d) If a party provides a payment for or any satisfaction of a claim or a right to claim under or in connection with this document (for example, for a breach of any warranty or under an indemnity) that gives rise to a liability for GST, the provider must pay, and indemnify the recipient on demand against, the amount of that GST.
- (e) If a party has a claim under or in connection with this document for a cost on which that party must pay an amount for GST, the claim is for the cost plus the amount for GST (except any amount for GST for which that party is entitled to an input tax credit).

**13.7 No merger**

No provisions of this document merge on the Bid being publicly announced and made.

**13.8 Time of the essence**

Time is of the essence in this document.

**13.9 Notices**

- (a) A notice, consent or other communication under this document is only effective if it is:
  - (i) in writing, signed by or on behalf of the person giving it;
  - (ii) addressed to the person to whom it is to be given; and
  - (iii) either:
    - (A) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
    - (B) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full.
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
  - (i) if it is delivered or sent by fax:
    - (A) by 5.00 pm (local time in the place of receipt) on a Business Day - on that day; or
    - (B) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day - on the next Business Day; and
  - (ii) if it is sent by mail:
    - (A) within Australia - 3 Business Days after posting; or
    - (B) to or from a place outside Australia - 7 Business Days after posting.
- (c) A person's address and fax number are those set out below, or as the person notifies the sender:

**FerrAus**

Address: Level 10, 233 Adelaide Terrace, PERTH WA 6000

Fax number: +61 (0)8 9474 3700  
Attention: The Company Secretary

**Atlas**

Address: Level 9, Alluvion, 58 Mounts Bay Road, PERTH WA 6000  
Fax number: +61 (0) 8 9476 7988  
Attention: The Company Secretary

**13.10 Counterparts**

This document may be executed in counterparts.

**14. INTERPRETATION**

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**14.1 Definitions**

The following definitions apply in this document.

**Agreed Announcement** means the joint announcement agreed by the parties in relation to the Bid.

**Agreed Bid Terms** means the terms set out in Schedule 2.

**Announcement Date** means the date of release of the Agreed Announcement.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the Australian Securities Exchange, as appropriate.

**ASX Listing Rules** means the listing rules of the ASX.

**Asset Sale** means the sale by Atlas of the Atlas South-East Pilbara Assets to FerrAus in consideration for the issue of 121,846,154 FerrAus Shares at \$0.65 per FerrAus Share.

**Associate** has the meaning given in section 12(2) of the Corporations Act.

**Atlas Board** means the board of directors of Atlas from time to time.

**Atlas Due Diligence Information** means all written information (including in electronic form) relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Atlas provided by Atlas to FerrAus during the Due Diligence Period in response to requests from FerrAus.

**Atlas Placement** means the issue of 37,439,785 FerrAus Shares to Atlas at \$0.65 per FerrAus Share.

**Atlas Prescribed Occurrence** means any of the following:

- (a) Atlas converts all or any of its shares into a larger or smaller number of shares;
- (b) Atlas or a subsidiary of Atlas resolves to reduce its share capital in any way;
- (c) Atlas or a subsidiary of Atlas:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

For personal use only

- For personal use only
- (d) Atlas or a subsidiary of Atlas resolves to be wound up;
  - (e) the appointment of a liquidator or provisional liquidator of Atlas or of a subsidiary of Atlas;
  - (f) a court makes an order for the winding up of Atlas or of a subsidiary of Atlas;
  - (g) an administrator of Atlas, or of a subsidiary of Atlas, is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (h) Atlas or a subsidiary of Atlas executes a deed of company arrangement; or
  - (i) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Atlas or of a subsidiary of Atlas,

provided that an Atlas Prescribed Occurrence will not include any matter:

- (j) fairly disclosed to FerrAus on or before the date of this document (including as a result of disclosures made to ASX);
- (k) occurring as a result of any matter, event or circumstance required by this document, the Bid or the transactions contemplated by them; or
- (l) approved in writing by FerrAus.

**Atlas Share** means a fully paid ordinary share in the capital of Atlas.

**Atlas South-East Pilbara Assets** means the Giralia Tenements and the Warwick Tenements (as those terms are defined in the agreement to effect the Asset Sale entered into by Atlas, FerrAus, Warwick Resources Pty Limited and Giralia Resources N.L. on or about the date of this document).

**Bid** means a takeover bid under Chapters 6 to 6C of the Corporations Act under which Atlas offers to acquire all FerrAus Shares on terms no less favourable to Target Shareholders than the Agreed Bid Terms and subject to the Bid Conditions.

**Bid Conditions** means the conditions to the Bid Offer which are set out in Schedule 1.

**Bid Offer** means each offer to acquire all FerrAus Shares on issue during the Bid Offer Period to be made by Atlas to each FerrAus Shareholder under the Bid on terms consistent with this document.

**Bid Offer Period** means the period during which the Bid Offer is open for acceptance.

**Bidder's Statement** means the bidder's statement to be issued by Atlas in respect to the Bid.

**Budget** has the meaning given to it in clause 6(a)(i).

**Business Day** means a day (other than Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia.

**Compensating Amount** has the meaning given to it in clause 4.4.

**Competing Proposal** means any proposal (including a scheme of arrangement), offer or variation of an existing offer that would if completed substantially in accordance with its terms, result in:

- (a) any person or persons other than Atlas or one of Atlas's Associates acquiring:
  - (i) an interest in all or a substantial part of the assets of FerrAus;

- (ii) a Relevant Interest in more than 20% of the voting shares of FerrAus; or
- (iii) control of FerrAus within the meaning of section 50AA of the Corporations Act; or
- (b) FerrAus and another person or persons (other than Atlas or one of Atlas's Associates) operating under a dual listed company, or similar structure.

**Confidentiality Deed** means the confidentiality deed dated 10 May 2011 between Atlas and FerrAus.

**Corporations Act** means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC.

**Due Diligence Period** means the period commencing on 22 June 2011 and expiring immediately prior to the release of the Agreed Announcement.

**Exclusivity Period** means the period commencing from the date of this document to expiry of the Bid Offer Period or the date that this document is terminated (whichever is the earlier).

**FerrAus Board** means the board of directors of FerrAus from time to time.

**FerrAus Constitution** means the constitution of FerrAus.

**FerrAus Director** means a director of FerrAus from time to time.

**FerrAus Due Diligence Information** means all written information (including in electronic form) relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of FerrAus provided by FerrAus to Atlas during the Due Diligence Period in response to requests from Atlas.

**FerrAus Option** means an option to subscribe for a FerrAus Ordinary Share granted by FerrAus.

**FerrAus Option Consideration** means the consideration to be offered by Atlas to acquire FerrAus Options which is calculated by reference to the Agreed Bid Terms, with appropriate adjustment for certain factors, including relevant exercise prices and the time value of money.

**FerrAus Performance Share** means a Class B Performance Share in the share capital of FerrAus.

**FerrAus Share** means a fully paid ordinary share in the share capital of FerrAus (and which, for the avoidance of doubt, does not include a FerrAus Performance Share).

**FerrAus Shareholder** means a holder of a FerrAus Share.

**Independent Expert** means the independent expert appointed by FerrAus, after consultation with Atlas, to prepare the Independent Expert's Report to be included in the Target's Statement.

**Independent Expert's Report** means the report of the Independent Expert included in the Target's Statement as updated and supplemented at any time and from time to time.

**Notice of Meeting** means the notice of extraordinary general meeting to be sent to the FerrAus Shareholders setting out the relevant resolutions to effect the Atlas Placement and the Asset Sale.

**Public Authority** means any government or any governmental, semi-governmental, administrative, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

**Relevant Interest** has the same meaning as given in sections 608 and 609 of the Corporations Act.

**Superior Proposal** means a Competing Proposal that in the determination of the FerrAus Board acting in good faith:

- (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and
- (b) is more favourable to FerrAus Shareholders than the Bid, taking into account all terms and conditions of the Competing Proposal,

provided that a financial adviser, independent of the FerrAus Board, has provided a written opinion to the FerrAus Board which supports the determination of the matters in paragraphs (a) and (b) above.

**Target's Statement** means the target's statement to be issued by FerrAus in respect to the Bid.

**Unacceptable Circumstances** has the meaning given in section 657A of the Corporations Act.

## 14.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) Words and phrases which are defined by the Corporations Act have the same meaning in this document. If a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act the word or phrase has that meaning.
- (b) A reference to:
  - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
  - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
  - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
  - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person;
  - (v) anything (including a right, obligation or concept) includes each part of it; and
  - (vi) a reference to \$ is to the lawful currency in Australia unless otherwise stated.

- (c) A singular word includes the plural, and vice versa.
- (d) A word which suggests one gender includes the other genders.
- (e) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

# Schedule 1

## BID CONDITIONS

The Offer is subject to the following conditions:

(a) **Minimum acceptance condition**

During, or at the end of, the Offer Period, the number of FerrAus Shares in which Atlas and its associates together have Relevant Interests (disregarding any Relevant Interest that Atlas has merely because of the operation of section 608(3) of the Corporations Act) is at least 50.1% of all the FerrAus Shares (even if that number later becomes less than 50.1% as a result of the issue of further FerrAus Shares).

(b) **Shareholder approvals**

- (i) During the Condition Period the FerrAus Shareholders pass resolutions pursuant to section 611 item 7 of the Corporations Act, ASX Listing Rule 7.1 and for all other purposes approving the Atlas Placement in accordance with the FerrAus Constitution and all other relevant laws and regulations.
- (ii) During the Condition Period the FerrAus Shareholders pass resolutions pursuant to section 611 item 7 of the Corporations Act, ASX Listing Rule 7.1 and for all other purposes approving the Asset Sale in accordance with the FerrAus Constitution and all other relevant laws and regulations.

(c) **Completion under Asset Sale Agreement and Subscription Agreement**

None of the following events happen during the Condition Period:

- (i) Completion does not occur under the Subscription Agreement except as a result of any breach of the Subscription Agreement due to any act or omission of any member of the Atlas Group or its directors, officers, employees, agents or advisers; or
- (ii) Completion does not occur under the Asset Sale Agreement except as a result of any breach of the Asset Sale Agreement due to any act or omission of any member of the Atlas Group or its directors, officers, employees, agents or advisers.

(d) **No prescribed occurrences**

None of the following events happens during the period beginning on the date the bidder's statement is given to FerrAus and ending at the end of the Offer Period:

- (i) FerrAus converts all or any of its shares into a larger or smaller number of shares;
- (ii) FerrAus or a subsidiary of FerrAus resolves to reduce its share capital in any way;
- (iii) FerrAus or a subsidiary of FerrAus:



- (A) enters into a buy-back agreement; or
  - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) FerrAus or a subsidiary of FerrAus:
- (A) issues shares or agrees to issue shares; or
  - (B) grants an option over its shares or agrees to grant an option over its shares;
- other than:
- (C) the issue of FerrAus Shares upon the exercise of FerrAus Options or conversion of FerrAus Performance Shares in accordance with their terms and conditions;
  - (D) the issue of FerrAus Shares in accordance with the Atlas Placement; or
  - (E) the issue of FerrAus Shares as consideration for the Asset Sale.
- (v) FerrAus or a subsidiary of FerrAus issues, or agrees to issue, convertible notes;
  - (vi) FerrAus or a subsidiary of FerrAus disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (vii) other than in connection with respect to debt funding arranged in accordance with condition (k)(v), FerrAus or a subsidiary of FerrAus charges, or agrees to charge, the whole, or a substantial part, of its business or property;
  - (viii) FerrAus or a subsidiary of FerrAus resolves to be wound up;
  - (ix) the appointment of a liquidator or provisional liquidator of FerrAus or of a subsidiary of FerrAus;
  - (x) a court makes an order for the winding up of FerrAus or of a subsidiary of FerrAus;
  - (xi) an administrator of FerrAus, or of a subsidiary of FerrAus, is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (xii) FerrAus or a subsidiary of FerrAus executes a deed of company arrangement; or
  - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of FerrAus or of a subsidiary of FerrAus,

provided that it will not include any occurrence:

- (xiv) fairly disclosed to Atlas on or before the date of the Bid Implementation Agreement (including as a result of disclosures made to ASX);
- (xv) occurring as a result of any matter, event or circumstance required by this document, the Bid or the transactions contemplated by them; or

(xvi) approved in writing by Atlas.

(e) **No prescribed occurrences between Announcement Date and service**

None of the events listed in sub-sections (i) to (xiii) of section (d) happens during the period beginning on the Announcement Date and ending at the end of the day before the bidder's statement is given to FerrAus.

(f) **No action by Public Authority adversely affecting the Bid**

During the Condition Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is instituted, or threatened by any Public Authority with respect to FerrAus or any subsidiary of FerrAus; or
- (iii) no application is made to any Public Authority (other than an application by Atlas or any company within the Atlas Group, an application under section 657G of the Corporations Act, or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Bid),

in consequence of, or in connection with, the Bid, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Bid or the completion of any transaction contemplated by the bidder's statement or seeks to require the divestiture by Atlas of any FerrAus Shares, or the divestiture of any assets by FerrAus or by any subsidiary of FerrAus or by any company within the Atlas Group.

(g) **No material acquisitions, disposals, etc.**

Except for any proposed transaction publicly announced by FerrAus before the Announcement Date or the Asset Sale, none of the following events occur during the period from that date to the end of the Offer Period without the written consent of Atlas (not to be unreasonably withheld or delayed), provided that such consent shall not be required for any event specified in the Budget:

- (i) FerrAus, or any subsidiary of FerrAus, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$1,000,000 or makes an announcement about such an acquisition;
- (ii) FerrAus, or any subsidiary of FerrAus, disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$1,000,000 or makes an announcement about such a disposal;
- (iii) FerrAus, or any subsidiary of FerrAus, enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership or dual listed company structure, or makes an announcement about such a commitment; and
- (iv) FerrAus, or any subsidiary of FerrAus, incurs or commits to, or grants to another person a right the exercise of which would involve FerrAus or any subsidiary of FerrAus incurring or committing to any capital expenditure or liability for one or more related items of greater than \$1,000,000 or makes an announcement about such a commitment,

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provided that in the case of sub-sections (g)(i), (ii) and (iv) from the expiry of the 6 month period commencing on the Announcement Date to the end of the Bid Offer Period, the aggregate amount of each threshold will increase to \$3,000,000.

(h) **No material failings in filings**

Atlas does not become aware, during the Condition Period, that any document filed by or on behalf of FerrAus with ASX or ASIC contains a statement which is incorrect or misleading in any material particular or from which there is a material omission (in such circumstance, materiality being determined by reference to the business and assets of FerrAus taken as a whole).

(i) **No break fees**

(i) Subject to section (i)(ii), during the Condition Period none of FerrAus, and any body corporate which is or becomes a subsidiary of FerrAus, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

(A) a takeover offer for FerrAus or any body corporate which is or becomes a subsidiary of FerrAus; or

(B) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, FerrAus or any body corporate which is or becomes a subsidiary of FerrAus, or to operate FerrAus as a single economic entity with another body corporate.

(ii) Section (i)(i) does not apply to a payment, benefit or agreement:

(A) for providing professional advisory services to FerrAus;

(B) which is approved in writing by Atlas;

(C) which is approved by a resolution passed at a general meeting of FerrAus; or

(D) which is made to, provided to, owed by or made with Atlas.

(j) **Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of Atlas acquiring FerrAus Shares to:

(i) acquire, or require FerrAus or a subsidiary of FerrAus to dispose of, or offer to dispose of, any material asset of FerrAus or a subsidiary of FerrAus;

(ii) terminate or vary any material agreement with FerrAus or a subsidiary of FerrAus; or

(iii) accelerate or adversely modify the performance of any obligations of FerrAus or any of its subsidiaries in a material respect under any material agreements, contracts or other legal arrangements.

(k) **Conduct of FerrAus's business**

During the Condition Period, none of FerrAus, or any body corporate which is or becomes a subsidiary of FerrAus, without the written consent of Atlas:

- (i) declares, or distributes any dividend, bonus or other share of its profits or assets;
- (ii) issues or grants options over, or agrees to issue or grant options over, or otherwise makes any commitments regarding any shares or other securities, or alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible notes, other than the issue of FerrAus Shares upon the exercise of FerrAus Options;
- (iii) makes any changes in its constitution or passes any special resolution;
- (iv) gives or agrees to give any Encumbrance over any of its assets otherwise than in the ordinary course of business;
- (v) borrows or agrees to borrow any money (except for temporary borrowing from its bankers in the ordinary course of business), provided that from the expiry of the 6 month period commencing on the Announcement Date to the end of the Condition Period, FerrAus may do so but only after first providing Atlas the opportunity to lend those monies to FerrAus;
- (vi) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (vii) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (viii) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);
- (ix) conducts its business otherwise than in the ordinary course;
- (x) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (xi) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation.

(l) **No material adverse change to FerrAus**

During the Condition Period, no change occurs, is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the:

- (i) assets, liabilities, financial position, performance, profitability or prospects of FerrAus and its subsidiaries taken as a whole or of any of them; or
- (ii) status or terms of (or rights attaching to) any material Approvals from Public Authorities applicable to FerrAus or any of its subsidiaries,

including without limitation:

- (iii) any creditor demanding repayment of a debt of \$5,000,000 or more; and
- (iv) any person accelerating or adversely modifying the performance of any obligations of FerrAus or any of its subsidiaries under any material agreements, contracts or other legal arrangements,

but does not include any change:

- (v) fairly disclosed to Atlas on or before the date of the Bid Implementation Agreement (including as a result of disclosures made to ASX);
- (vi) occurring as a result of any matter, event or circumstance required by this document, the Bid or the transactions contemplated by them;
- (vii) approved in writing by Atlas;
- (viii) occurring in relation to any of the Atlas South-East Pilbara Assets; or
- (ix) occurring as a result of a change in iron ore markets, currency exchange rates or general economic or securities market conditions out of the control of FerrAus.

\*\*\*\*\*

## Definitions

**Announcement Date** means the date of this announcement.

**Approval** means a licence, tenement, authority, consent, approval, order, exemption, waiver, ruling or decision.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**Atlas** means Atlas Iron Limited ABN 63 110 396 168.

**Atlas Group** means Atlas and its related bodies corporate (as defined in the Corporations Act).

**Atlas Placement** means the issue of 37,439,785 FerrAus Shares to Atlas at \$0.65 per FerrAus Share.

**Asset Sale** means the sale by Atlas of the Atlas South-East Pilbara Assets to FerrAus in consideration for the issue of 121,846,154 FerrAus Shares at \$0.65 per FerrAus Share.

**Asset Sale Agreement** means the agreement to effect the Asset Sale entered into by Atlas, FerrAus, Warwick Resources Pty Limited and Giralia Resources N.L. on or prior to the Announcement Date.

**Atlas South-East Pilbara Assets** means the Giralia Tenements and the Warwick Tenements (as those terms are defined in the Asset Sale Agreement).

**Bid Implementation Agreement** means the bid implementation agreement entered into by Atlas and FerrAus on or prior to the Announcement Date.

**Budget** means the expenditure budget for the FerrAus business for period commencing on the date of the Bid Implementation Agreement and expiring on 31 December 2011 but does not include any:

- (a) taxes, stamp duty or other statutory costs; and
- (b) third party and advisor transaction costs,

FerrAus has incurred, or will incur, in relation to the Bid, the Asset Sale and the Atlas Placement.

**Condition Period** means the period beginning on the Announcement Date and ending at the end of the Offer Period.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Encumbrance** means:

- (a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;
- (b) a notice under section 255 of the *Income Tax Assessment Act 1936* (Cth), subdivision 260-A in schedule 1 to the *Taxation Administration Act 1953* (Cth) or any similar legislation;
- (c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);
- (d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
- (e) an agreement to create anything referred to above or to allow any of them to exist.

**FerrAus Performance Share** means a Class B Performance Share in the share capital of FerrAus.

**Relevant Interest** has the same meaning as given in sections 608 and 609 of the Corporations Act.

**FerrAus** means FerrAus Limited ABN 86 097 422 529.

**FerrAus Shareholder** means a holder of a FerrAus Share

**FerrAus Share** means a fully paid ordinary shares issued in the capital of FerrAus (and which, for the avoidance of doubt, does not include a FerrAus Performance Share).

**Offer** means the offer to acquire all FerrAus Shares to be made by Atlas to FerrAus Shareholders.

**Offer Period** means the period during which the Offer is open for acceptance.

**Public Authority** means any government or any governmental, semi-governmental, administrative, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

**Subscription Agreement** means the subscription agreement to effect the Atlas Placement entered into by Atlas and FerrAus on or prior to the Announcement Date.

## Schedule 2

### AGREED BID TERMS

1. **Offer Price**

Atlas offers to each FerrAus Shareholder 1 Atlas Share for every 4 FerrAus Shares held.

2. **Conditions**

The offer by Atlas under the Bid may be subject only to conditions:

- (a) that are the same or substantially the same as the conditions described in Schedule 1 of this document; or
- (b) that are no less favourable to FerrAus Shareholders than those described in Schedule 1 of this document.

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## Schedule 3

### FERRAUS'S CAPITAL

- **FerrAus Shares**

FerrAus has 249,598,565 fully paid ordinary shares on issue.

- **FerrAus Options**

FerrAus has 9,135,000 options on issue as follows:

Tranche	Number of Options	Expiry Date	Exercise Price
1.	1,200,000	31 December 2011	\$1.15
2.	200,000	27 April 2012	\$1.00
3.	400,000	8 November 2012	\$1.35
4.	500,000	6 September 2013	\$1.00
5.	50,000	13 October 2013	\$0.75
6.	50,000	2 November 2013	\$1.00
7.	75,000	2 November 2013	\$1.25
8.	1,000,000	1 April 2014	\$1.00
9.	310,000	27 May 2014	\$1.00
10.	350,000	14 September 2014	\$1.00
11.	1,000,000	17 April 2016	\$1.00
12.	1,000,000	17 April 2016	\$1.40
13.	1,000,000	17 April 2016	\$1.80
14.	1,000,000	17 April 2016	\$2.20
15.	1,000,000	17 April 2016	\$2.40

- **FerrAus Class B Performance Shares**

FerrAus has 7,500,000 Class B Performance Shares on issue.

**Executed as a deed**

**EXECUTED by FerrAus Limited**  
ABN 86 097 422 529 pursuant to section  
127 of the *Corporations Act 2001* (Cth) in  
the presence of:


  
\_\_\_\_\_  
Signature of director

Cliff Lawson  
\_\_\_\_\_  
Name

  
\_\_\_\_\_  
Signature of director/secretary

CHRISTOPHER HUNT  
\_\_\_\_\_  
Name

**EXECUTED by Atlas Iron Limited**  
ABN 63 110 396 168 pursuant to section  
127 of the *Corporations Act 2001* (Cth) in  
the presence of:

  
\_\_\_\_\_  
Signature of director

David Flanagan  
\_\_\_\_\_  
Name

  
\_\_\_\_\_  
Signature of director/secretary

A. M. WALSH  
\_\_\_\_\_  
Name

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## Annexure B – Key Terms of the Iron Ore Assets Acquisition Agreement

<b>Sale and Acquisition of Tenements</b>	Atlas Iron Limited ( <b>Atlas</b> ) agrees to sell, and FerrAus Limited ( <b>FerrAus</b> ) agrees to purchase, all of Atlas' rights, title and interest in and to certain prospecting and exploration tenements in the South East Pilbara ( <b>Tenements</b> ).
<b>Consideration</b>	The consideration to be paid by FerrAus to Atlas for the acquisition by FerrAus of the Tenements Tenements will be the issue by FerrAus of 121,846,154 new fully paid ordinary shares in the share capital of FerrAus, with a deemed issue price of \$0.65 per share, to Atlas.
<b>Conditions</b>	<p>Completion of the acquisition of the Tenements is conditional upon satisfaction or waiver of the following conditions on or before 30 September 2011:</p> <ul style="list-style-type: none"> <li>• approval by FerrAus shareholders at the next FerrAus general meeting under item 7 section 611 of the <i>Corporations Act 2001</i> (Cth), ASX Listing Rule 7.1 and for all other purposes;</li> <li>• ministerial consents (to the extent required) under the <i>Mining Act 1978</i> (WA) (<b>Mining Act</b>); and</li> <li>• certain third party consents.</li> </ul>
<b>FerrAus Undertakings</b>	In the absence of the Independent Expert opining that the acquisition by FerrAus of the Tenements are not fair and are not reasonable then, to the extent reasonably requested by Atlas, FerrAus undertakes to support and promote the acquisition, but only to the extent the FerrAus directors consider they may do so without breaching their legal or fiduciary duties.
<b>Obligations prior to completion</b>	<p>For the period from signing Iron Ore Assets Acquisition Agreement until Completion, Atlas must ensure that other than as consented to by FerrAus:</p> <ul style="list-style-type: none"> <li>• they maintain the Tenements in accordance with normal practice in the Australian mining industry;</li> <li>• they do not enter into any transaction which relates to or adversely affects the Tenements; and</li> <li>• it allows FerrAus and its representatives to freely access the Tenements.</li> </ul>
<b>Completion</b>	Completion of the acquisition of the Tenements will occur within 3 business days of the satisfaction or waiver of the conditions.

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## Annexure C – Summary of Key Terms of the Subscription Agreement

<b>Parties</b>	The parties to the Subscription Agreement are: <ul style="list-style-type: none"><li>• Atlas Iron Limited (<b>Atlas</b>); and</li><li>• FerrAus Limited (<b>FerrAus</b>).</li></ul>
<b>Subscription</b>	Atlas agrees to subscribe for and FerrAus agrees to issue to Atlas 37,439,785 FerrAus shares ( <b>Subscription Shares</b> ) at \$0.65 per Subscription Share.
<b>Consideration</b>	The consideration for the issue of the Subscription Shares is \$24,335,860 to be paid by Atlas to FerrAus on the Completion Date.
<b>Conditions</b>	Completion of the subscription is conditional upon FerrAus shareholders approving the issue of the Subscription Shares and the issue of FerrAus shares as consideration under the Iron Ore Assets Acquisition Agreement (described at Annexure B) on or before 30 September 2011.
<b>Completion</b>	Completion will occur within 3 business days of the satisfaction or waiver of the conditions.
<b>Recommendation</b>	FerrAus has warranted that all members of the FerrAus board have informed FerrAus that in the absence of: <ul style="list-style-type: none"><li>• a finding by the Independent Expert that the subscription by Atlas and the asset acquisition in accordance with the Iron Ore Assets Acquisition Agreement (described at Annexure B) are not fair and are not reasonable; and</li><li>• a default by Atlas under the Bid Implementation Agreement (annexed at Annexure A);</li></ul> they will unanimously recommend that FerrAus shareholders vote in favour of the resolutions to approve the subscription by Atlas and acquisition by FerrAus of assets under the Iron Ore Assets Acquisition Agreement (described at Annexure B).
<b>FerrAus Undertakings</b>	In the absence of the Independent Expert opining that the subscription by Atlas and the asset acquisition in accordance with the Iron Ore Assets Acquisition Agreement (described at Annexure B) are not fair and are not reasonable then, to the extent reasonably requested by Atlas, FerrAus undertakes to support and promote the subscription, but only to the extent the FerrAus directors consider they may do so without breaching their legal or fiduciary duties.



## Annexure D – Summary Resource & Reserve Tables

Atlas DSO Resources								
Region	Resource Classification	Mt	Fe(%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P(%)	LOI(%)	CaFe(%)
North Pilbara	Measured	16.68	57.7	5.9	1.6	0.08	8.7	63.2
	Indicated	146.9	56.8	6.6	2.2	0.10	9.1	62.4
	Inferred	285.4	56.1	7.2	2.3	0.11	9.3	61.9
Southeast Pilbara	Inferred	158.0	56.7	6.3	3.9	0.09	8.1	61.7
West Pilbara	Inferred	38.0	53.6	7.5	4.8	0.04	9.3	59.1
Midwest	Inferred	12.0	60.0	3.3	2.7	0.05	1.6	65.1
Total	Measured	16.68	57.7	5.9	1.6	0.08	8.7	63.2
	Indicated	146.9	56.8	6.6	2.2	0.10	9.1	62.4
	Inferred	493.0	56.2	6.8	3.0	0.10	8.7	61.7
<b>Grand Total</b>		<b>656.98</b>	<b>56.4</b>	<b>6.8</b>	<b>2.8</b>	<b>0.1</b>	<b>8.8</b>	<b>61.8</b>

**Note:** Measured, Indicated and Inferred mineral Resources are rounded to the nearest ten kilotonnes, 100 kilotonnes and million tonnes respectively. Rounding errors may occur. These Mineral Resources are based on 100% of all projects. Atlas owns 70% of the Mt Webber Project and 75% of the Daltons Project

Atlas Summary DSO Reserves Table – 30 June 2010									
	Reserve Classification	Kt	Fe(%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P%	S%	LOI%	CaFe%
Sub Total	Proven	14,273	58.2	5.5	1.5	0.09	0.05	8.7	63.7
Sub Total	Probable	39,418	57.5	6.2	1.9	0.08	0.03	8.9	63.1
<b>Grand Total**</b>	<b>All Reserves</b>	<b>53,691</b>	<b>57.7</b>	<b>6.0</b>	<b>1.8</b>	<b>0.08</b>	<b>0.03</b>	<b>8.8</b>	<b>63.2</b>

**Note:** Bedded ore reserves estimates at cut-off grades in the range of 54-56% Fe  
Reserves at Mt Webber are subject to Joint Venture interests in the ratio AGO 70% : AJM 30%



### **Atlas Competent Person Statements**

#### Geological Data, Interpretation and Resource Estimation – DSO Mineral Resources

The information in this report that relates to mineral resource results is based on information compiled by Mr. Andrew Paterson who is a member of the Australasian Institute of Mining and Metallurgy and a full time employee of Atlas Iron Limited. Andrew Paterson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Paterson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### Reserve Estimation

The information in this report that relates to Reserve estimations is based on information compiled by Mr Ken Brinsden, who is a member of the Australasian Institute of Mining and Metallurgy. Ken Brinsden is a full time employee of Atlas Iron Limited. Ken Brinsden has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ken Brinsden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

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**FerrAus Resource Table – FerrAus Pilbara Project**

Area	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	CaFe (%)
<b>High Grade Resources (+55% Fe)</b>								
<b>Robertson Range</b>	Measured	23.40	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.70	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.60	58.11	6.56	3.37	0.097	6.15	61.93
	<b>Total</b>	<b>54.60</b>	<b>58.79</b>	<b>5.26</b>	<b>2.94</b>	<b>0.105</b>	<b>6.93</b>	<b>63.18</b>
<b>Davidson Creek</b>	Measured	9.50	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	91.60	58.70	4.44	2.43	0.082	8.63	64.20
	Inferred	24.20	57.50	5.24	3.16	0.098	8.39	62.80
	<b>Total</b>	<b>125.30</b>	<b>58.40</b>	<b>4.58</b>	<b>2.60</b>	<b>0.085</b>	<b>8.62</b>	<b>63.90</b>
<b>Mirrin Mirrin</b>	Indicated	33.90	58.94	4.16	2.26	0.101	8.75	64.59
	Inferred	4.80	56.67	6.81	3.42	0.109	8.04	61.64
	<b>Total</b>	<b>38.70</b>	<b>58.66</b>	<b>4.49</b>	<b>2.41</b>	<b>0.102</b>	<b>8.66</b>	<b>64.22</b>
<b>Total (High Grade)</b>		<b>218.60</b>	<b>58.56</b>	<b>4.74</b>	<b>2.65</b>	<b>0.093</b>	<b>8.21</b>	<b>63.78</b>
<b>Medium Grade Resources (between 53% Fe and 55% Fe for RR, between 52% Fe and 55% Fe for DC and MM)</b>								
<b>Robertson Range</b>	Indicated	6.50	54.00	7.61	4.95	0.122	8.86	59.30
	Inferred	2.30	54.10	8.96	5.20	0.096	7.57	58.50
<b>Davidson Creek</b>	Indicated	32.90	53.60	7.99	4.94	0.063	9.29	59.10
	Inferred	23.70	53.60	7.72	4.99	0.093	9.33	59.10
<b>Mirrin Mirrin</b>	Indicated	12.00	53.52	8.43	4.97	0.086	9.23	58.98
	Inferred	8.10	53.62	9.26	4.27	0.123	8.50	58.61
<b>Total (Medium Grade)</b>		<b>85.50</b>	<b>53.63</b>	<b>8.09</b>	<b>4.90</b>	<b>0.086</b>	<b>9.14</b>	<b>59.04</b>
<b>Low Grade Resources (between 50% Fe and 53% Fe for RR, between 50% Fe and 52% Fe for DC and MM)</b>								
<b>Robertson Range</b>	Inferred	7.40	51.80	9.17	5.87	0.132	9.23	57.10
<b>Davidson Creek</b>	Inferred	14.60	51.20	9.53	6.28	0.074	9.86	56.80
<b>Mirrin Mirrin</b>	Inferred	4.80	51.25	10.39	6.01	0.080	8.98	56.32
<b>Total (Low Grade)</b>		<b>26.80</b>	<b>51.37</b>	<b>9.58</b>	<b>6.12</b>	<b>0.09</b>	<b>9.53</b>	<b>56.80</b>
<b>MEASURED RESOURCES (Mt)</b>		<b>32.90</b>						
<b>INDICATED RESOURCES (Mt)</b>		<b>197.60</b>						
<b>INFERRED RESOURCES (Mt)</b>		<b>100.50</b>						
<b>TOTAL (Mt)</b>		<b>331.00</b>						

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows:  $CaFe = (Fe \times 100) / (100 - LOI)$ . High Resources are reported above a 55% Fe cut-off grade, Medium Grade Resources (between 53% Fe and 55% Fe for RR, between 52% Fe and 55% Fe for DC and MM) and Low Grade Resources (between 50% Fe and 53% Fe for RR, between 50% Fe and 52% Fe for DC and MM). The above resources were classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore reserves (the JORC Code). Snowden Mining Industry Consultants classified the mineral resources listed in the above table





## FerrAus Pilbara Project - Iron Ore Reserves (May 2011)

Area	JORC (2004) Reserve Category	Tonnes Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Robertson Range	Proved	-	-	-	-	-	-
	Probable	31.0	58.3	5.4	3.0	0.09	7.4
	<b>Total</b>	<b>31.0</b>	<b>58.3</b>	<b>5.4</b>	<b>3.0</b>	<b>0.09</b>	<b>7.4</b>
Davidson Creek	Proved	-	-	-	-	-	-
	Probable	95.0	57.0	5.5	3.3	0.09	8.9
	<b>Total</b>	<b>95.0</b>	<b>57.0</b>	<b>5.5</b>	<b>3.3</b>	<b>0.09</b>	<b>8.9</b>
Mirrin Mirrin	Proved	-	-	-	-	-	-
	Probable	37.0	57.5	4.3	2.3	0.09	8.7
	<b>Total</b>	<b>37.0</b>	<b>57.5</b>	<b>4.3</b>	<b>2.3</b>	<b>0.09</b>	<b>8.7</b>
<b>Total Reserves</b>		<b>163.0</b>	<b>57.4</b>	<b>5.2</b>	<b>3.0</b>	<b>0.09</b>	<b>8.6</b>

### FerrAus Resources Competent Person Statement

Geological interpretation, exploration results, and mineral resource information contained in this report to which this statement is attached is based on information compiled by Mr. Peter Brookes who is member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus Limited. Peter Brookes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves". Mr. Brookes consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

### FerrAus Ore Reserve Statement

The Ore Reserve Statement has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of FerrAus Limited

The author of the report, Mr. Alan G Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants, states that he is a Member of The Australasian Institute of Mining and Metallurgy (The AusIMM) and has more than five years mining experience applicable to the mining of Iron Ore. He consents to the public release of this Ore Reserve estimate, providing it remains in the context presented.

### FerrAus Forward Looking and Exploration Target Statements

This release may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of FerrAus Limited, that could cause actual results to differ materially from such statements. Forward looking statements include, but are not limited to, statements concerning the Company's exploration program, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "substantial", "planned", "estimate", "possible", "future", "prospective", and similar expressions. The term "Direct Shipping Ore (DSO)", "Target", and "Exploration Target", where used in this announcement, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. Also, FerrAus Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.



### Combined Resources and Reserve tables

Combined Southeast Pilbara DSO Resources								
	Resource Classification	Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P%	LOI%	CaFe%
<b>All Projects</b>	Measured	32.90	58.7	4.5	2.7	0.10	8.1	63.9
	Indicated	197.6	57.5	5.4	3.1	0.09	8.6	62.8
	Inferred	258	55.9	6.8	4.1	0.09	8.3	60.9
	<b>Total</b>	<b>488.6</b>	<b>56.7</b>	<b>6.1</b>	<b>3.6</b>	<b>0.09</b>	<b>8.4</b>	<b>61.9</b>

**Note:** Wishbone DSO resource reported at >53% Fe cut-off; all other projects reported at >50% Fe cut-off. CaFe% is calcined Fe calculated by Atlas using the following formula  $(Fe\% / (100 - LOI\%)) * 100$ . Resources tonnages are rounded according to their JORC category. Rounding errors may occur. Refer to individual resource tables above for Atlas and FerrAus Competent Persons statements.

Combined Entity DSO Resources								
Region	Resource Classification	Mt	Fe(%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P(%)	LOI(%)	CaFe(%)
<b>North Pilbara</b>	Measured	16.68	57.7	5.9	1.6	0.08	8.7	63.2
	Indicated	146.9	56.8	6.6	2.2	0.10	9.1	62.4
	Inferred	285	56.1	7.2	2.3	0.11	9.3	61.9
<b>Southeast Pilbara</b>	Measured	32.90	58.7	4.5	2.7	0.10	8.1	63.9
	Indicated	197.6	57.5	5.4	3.1	0.09	8.6	62.8
	Inferred	258	55.9	6.8	4.1	0.09	8.3	60.9
<b>West Pilbara</b>	Inferred	38	53.6	7.5	4.8	0.04	9.3	59.1
<b>Midwest</b>	Inferred	12	60.0	3.3	2.7	0.05	1.6	65.1
<b>Total</b>	Measured	49.58	58.3	5.0	2.4	0.09	8.3	63.6
	Indicated	344.5	57.2	5.9	2.7	0.09	8.8	62.6
	Inferred	593	55.9	7.0	3.3	0.10	8.7	61.4
<b>Grand Total</b>	All Resources	988	56.4	6.8	2.8	0.10	8.8	61.8

**Note:** Refer to individual resource tables above for Atlas and FerrAus Competent Persons statements.

Combined Entity DSO Reserves Table								
Region	Reserve Classification	Mt	Fe(%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P%	LOI%	CaFe%
<b>North Pilbara</b>	Proven	14	58.2	5.5	1.5	0.09	8.7	63.7
	Probable	39	57.5	6.2	1.9	0.08	8.9	63.1
<b>Southeast Pilbara</b>	Proven	163	57.4	5.2	3.0	0.09	8.6	62.8
<b>Sub Total</b>	Proven	14	58.2	5.5	1.5	0.09	8.7	63.7
<b>Sub Total</b>	Probable	202	57.4	5.4	2.8	0.09	8.6	62.8
<b>Grand Total</b>	All Reserves	217	57.4	5.4	2.7	0.09	8.6	62.9

**Note:** This summary table includes DSO reserves calculated by Atlas as at 30 June 2010, and by FerrAus as at May 2011. Bedded ore reserves estimates at cut-off grades in the range of 54-56% Fe. Reserves at Mt Webber are subject to Joint Venture interests in the ratio AGO 70% : AJM 30%. Refer to individual DSO reserve tables above for Atlas and FerrAus Competent Persons statements.