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ASX / Media Announcement

AUROX AND ATLAS AGREE TO MERGE

- **Aurox Resources and Atlas Iron have today agreed to implement a merger by way of Scheme of Arrangement**
- **Aurox shareholders to receive one Atlas share for every three Aurox shares**
- **The merger implies a price per Aurox share of \$0.74 based on Atlas' last closing price of \$2.21, representing a premium of 173%**
- **The Aurox board unanimously recommends Aurox shareholders vote in favour of the merger in the absence of a superior proposal**

Pilbara iron ore developer Aurox Resources Limited ("Aurox") (ASX: AXO) and Atlas Iron Limited (ASX: AGO) ("Atlas") today announced they had entered into a Scheme Implementation Agreement (the "SIA") to affect the merger of the two companies.

Atlas will issue Aurox shareholders with one Atlas share for every three Aurox shares they hold upon implementation. Atlas will also make offers to Aurox option holders to issue Atlas shares to them on a ratio determined by reference to the respective exercise price and expiry date of their options.

The Board of Aurox has unanimously recommended that, in the absence of a superior proposal, all Aurox security holders vote in favour of the Scheme. The Aurox Board members intend to vote in favour of the Scheme in relation to their personal shareholdings in Aurox, in the absence of a superior proposal.

A Compelling Combination

The merger provides for Aurox shareholders to:

- Participate in Atlas' rapidly growing production profile, which will position the company as a globally significant iron ore producer;
- Retain exposure to the world-class Balla Balla Project but at the same time gain exposure to a large portfolio of quality iron ore projects throughout the Pilbara;



- The merged company will have 187mt of DSO resources, exploration targets of 430 to 750mt at 57% to 60% Fe, two Pilbara magnetite projects and a 15,000km² Pilbara landholding, and a DSO production target of 26mtpa by 2014;
- The merged company will offer investors a substantial growth profile with a pipeline of assets and opportunities;
- Benefit from owning securities in an ASX200 company with strong trading liquidity; and
- Own shares in a company run by a world-class management and technical team with access to a robust balance sheet.

Managing Director of Aurox, Mr Charles Schaus, said the proposed merger is an outstanding opportunity for the Aurox shareholders to join with and participate in an impressive diversified iron ore growth company.

“The high premium offered by Atlas is a great deal for Aurox shareholders. It reflects the high potential of the Balla Balla project, Aurox’s access to infrastructure and regionally significant water resource.” Mr Schaus said.

“The merged group’s port capacity of up to 33mtpa will allow the company to generate substantial synergies from production and development schedule optimisation,” he said.

“With iron ore prices expected to increase significantly in the coming year, this merger will give Aurox shareholders the opportunity to share in the benefits from immediate cashflows,” he said.

Details of the Merger

Under the SIA Atlas will acquire all of the issued shares in Aurox. Aurox shareholders will receive one (1) Atlas share for every three (3) Aurox shares they hold.

At the closing price of Atlas shares on 8 March 2010 of \$2.21 per share, this implies an offer price of 73.67 cents per Aurox share, representing a premiums of:

- **172.8%** on the closing price of Aurox shares on 8 March 2010 of 27 cents per share;
- **158.5%** to the 10-day volume weighted average price (VWAP) of Aurox shares of 28.5 cents per share; and
- **143.1%** to the 30-day VWAP of Aurox shares of 30.3 cents per share.

As part of the SIA, Atlas has agreed to extend an unsecured, interest-bearing loan of up \$7.7million to Aurox in order to enable Aurox to redeem the outstanding convertible notes which are due to mature on 30 June 2010. The loan will be repayable on the earlier of 4 months from the date of draw down and 20 business days after termination of the SIA.

The Scheme will be subject to customary conditions for a public transaction of this nature such as:

- Approval being received from the shareholders of Aurox and court approvals;
- Regulatory approvals; and
- That the Independent Expert concludes that the Scheme is in the best interests of Aurox shareholders, and does not change that conclusion.



The parties have agreed that unless the SIA is terminated, Aurox will not solicit any competing proposal or participate in any discussions or negotiations in relation to any competing bid (unless failure to do so would involve a breach of the fiduciary duties of its Directors). See Annexure B for further details.

Aurox's corporate adviser in respect of the merger is Sigiriya Capital. Atlas' corporate adviser in respect of the merger is Hartleys Limited.

Indicative Timetable

Shareholders of Aurox will be asked to approve the Scheme at meetings which are expected to be held in late May 2010.

Full particulars of the Scheme, transaction terms and recommendations will be provided to Aurox shareholders through an Explanatory Booklet which will include an Independent Expert's Report in relation to the Schemes of Arrangement. It is expected that this booklet will be mailed to Aurox shareholders in late April 2010. Aurox shareholders are not required to take any action at this stage in relation to the Scheme.

For further information regarding this announcement, please contact:

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Annexure A

Profile of the Merged Group

Following completion of the merger of Atlas and Aurox, key features of the combined Company will include the following:

Production Targets	6Mtpa DSO rate in 2010, 9Mtpa DSO rate in 2011 12Mtpa DSO rate in 2012 26Mtpa DSO rate in 2014 ⁽¹⁾ Additional 10Mtpa Balla Balla Magnetite Additional 15Mtpa Ridley Magnetite Additional 2-4 Mtpa DSO Midwest
Pilbara Landholding	Approximately 15,000km ²
Port Access	Up to 15Mtpa in Utah and Up to 18Mtpa in SW Creek
DSO Resources	187Mt at 56.6% Fe (see Annexure A)
DSO Exploration Target	430 to 750Mt in range of 57% to 60% Fe ⁽²⁾
Production Projects	Pardoo DSO Operation Wodgina DSO Operation (commencing Q2 2010)
Development Projects	Abydos DSO Project Mt Webber DSO Project
SE Pilbara Exploration Projects	Hickman Woggagina Jigalong Western Creek Jimblebar Range Caramulla South
Magnetite Projects	Ridley Magnetite Project with Probable Reserves of 970Mt at 36.3% Fe and Resources of 2Bt at 36.3% Fe Balla Balla Project with Total Reserves of 238Mt at 44.7% Fe and Resources 456Mt at 45% Fe

1. This target is subject to completion of feasibility studies, permitting and execution of all necessary infrastructure agreements.
2. Refer all competent Person statements listed in the appendix
3. DSO-Refers to direct shipping grade iron ore

Atlas Resource Summary Tables.

Atlas Iron Limited – DSO Resource Inventory 31 December 2009									
Project Area	Resource Classification	Kt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)	CaFe (%)
Total	Measured	10,290	58.0	5.5	1.7	0.11	0.03	8.9	63.7
	Indicated	40,641	56.9	7.1	1.8	0.08	0.04	8.7	62.3
	Inferred	135,674	56.4	7.0	2.9	0.07	0.03	8.5	61.7
Grand Total		186,605	56.6	6.9	2.6	0.07	0.03	8.5	61.9

Table 1: Atlas Iron Limited resource summary table, 31/12/2009.

Note: CaFe% is calcined Fe calculated by Atlas using the following formula: $(Fe\% / (100 - LOI\%)) * 100$.

Atlas Ridley Magnetite In-Situ Resource - November 2008								
Resource Classification	Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)	Density (g/m ³)
Indicated	1,100	36.6	39.4	0.08	0.09	0.05	3.9	3.5
Inferred	910	36.4	39.1	0.08	0.09	0.05	4.4	3.5
All Resources	2,010	36.5	39.3	0.08	0.09	0.05	4.1	3.5

Atlas Ridley Magnetite Resource, Davis Tube Concentrate Grades - November 2008								
Resource Classification	Mt	Concentrate Mass Recovery (%)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
Indicated	1,100	37.0	68.9	4.1	0.03	0.01	0.01	-2.7
Inferred	910	37.5	68.9	4.1	0.02	0.01	0.01	-2.7
All Resources	2,010	37.2	68.9	4.1	0.03	0.01	0.01	-2.7

Mineral Resource tables in 26th November 2008 Resource Update, for the Ridley Magnetite Project.

Aurox Resource Summary Tables

Total Balla Balla Mineral Resource Estimate December 2009				
Class	Mt	Fe %	V2O5 %	TiO2 %
Measured	219.0	45.1	0.64	14.1
Indicated	86.7	44.5	0.65	13.8
Inferred	150.2	44.3	0.68	13.5
Total	455.9	44.7	0.66	13.8

Total Balla Balla Mineral Resource Estimate						
Category	Area	Mt	Fe%	V2O5%	TiO2%	% of TOTAL
Proved	Western	86	45.9	0.66	14.0	36%
	Central	59	44.5	0.59	13.7	25%
	Eastern	27	45.4	0.59	13.8	12%
	Far West	16	41.3	0.58	12.6	7%
	TOTAL	188	45.0	0.62	13.7	79%
Probable	Western	6	45.8	0.68	13.7	3%
	Central	13	45.2	0.60	13.9	5%
	Eastern	8	44.4	0.56	13.7	3%
	Far West	22	41.9	0.58	12.8	9%
	TOTAL	50	43.7	0.60	13.3	21%
TOTAL	Western	92	45.8	0.66	14.0	39%
	Central	71	44.6	0.59	13.7	30%
	Eastern	36	45.2	0.58	13.8	15%
	Far West	39	41.6	0.58	12.7	16%
	TOTAL	238	44.7	0.62	13.7	100%

Atlas Competent Person Statements

Mineral Resource Estimation - Ridley Deposit

The information in this report that relates to mineral resources results is based on information compiled by Mr Malcolm Titley who is a member of the Australasian Institute of Mining and Metallurgy. Malcolm Titley is a full time employee of CSA Global Pty Ltd. Malcolm Titley has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they have 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'. Malcolm Titley consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Atlas Iron Limited – Statement on Global Exploration Target

Atlas has reported a total resource inventory of 186.6 million tonnes at 56.6% Fe consisting of resources at Pardoo, Abydos, Turner River, Mt Webber, Wodgina, Weld Range, Jimblebar Range, Western Creek and Caramulla South. While the Company intends to do further exploration on its tenements and remains optimistic it will report additional resources and reserves in the future, any discussion in relation to targets, resources, reserves or 'ore' over and above the resource of 186.6 million tonnes at 56.6% Fe is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource over and above the resource of 186.6 million tonnes at 56.6% Fe, and it is uncertain if further exploration will result in the determination of a Mineral Resource over and above the resource of 186.6 million tonnes at 56.6% Fe.

Geological Data, Interpretation and Resource Estimation – Mt Webber

The information in this report that relates to mineral resource results is based on information compiled by Mr Shane Tomlinson & Mr Chris Allen. Shane Tomlinson is a member of the Australian Institute of Geoscientists and Chris Allen is a member of the Australasian Institute of Mining and Metallurgy. Shane Tomlinson is a full time employee of Atlas Iron Limited and Chris Allen is a full time employee of CSA Global Pty Ltd. Shane Tomlinson & Chris Allen have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have 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'. Shane Tomlinson and Chris Allen consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Alice, Clare, Hubert, Glenda, and Connie Resources

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack & Mr Richard Gaze who are members of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited and Richard Gaze is a full time employee of Golder Associates Pty Ltd. Tony Cormack & Richard Gaze have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have 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'. Tony Cormack and Richard Gaze consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Bobby, Floyd, Emma, Olivia, Avalon Point, Mettams, Mullaloo, and Trigg Resources

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack & Mr David Williams who are members of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited and David Williams is a full time employee of CSA Global Pty Ltd. Tony Cormack & David Williams have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have 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'. Tony Cormack and David Williams consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – South Limb and Dean Resources

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack & Mr Malcolm Titley who are members of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited and Malcolm Titley is a full time employee of CSA Global Pty Ltd. Tony Cormack & Malcolm Titley have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have 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'. Tony Cormack and Malcolm Titley consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Mt Dove and Wodgina

The information in this report that relates to mineral resource results is based on information compiled by Mr Tony Cormack who is a member of the Australasian Institute of Mining and Metallurgy. Tony Cormack is a full time employee of Atlas Iron Limited. Tony Cormack 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'. Tony Cormack consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Alice Extension

The information in this report that relates to mineral resource results is based on information compiled by Mr Simon Gobbett who is a member of the Australasian Institute of Mining and Metallurgy. Simon Gobbett is a full time employee of Atlas Iron Limited. Simon Gobbett 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'. Simon Gobbett consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Western Creek, Jimblebar Range and Caramulla South

The information in this website that relates to mineral resource results for Western Creek, Jimblebar Range and Caramulla South is based on information compiled by Mr Bruce McQuitty and Mr Chris De-Vitry, who are both members of the Australasian Institute of Geoscientists. Mr McQuitty is a full-time employee of Warwick Resources Ltd and Mr De-Vitry is a full-time employee of Quantitative Group. Mr McQuitty and Mr De-Vitry have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McQuitty and Mr De-Vitry consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Weld Range

The information in this report that relates to mineral resource results is based on information compiled by Mr Shane Tomlinson, who is a member of the Australian Institute of Geoscientists. Shane Tomlinson is a full time employee of Atlas Iron Limited. Shane Tomlinson 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'. Shane Tomlinson consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Ore Reserve Estimation Ridley Deposit

The sections in this report that relate to the Ridley Ore Reserves are based on information compiled under the direction of Mr Bruce Gregory. Mr Gregory is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of AMC Consultants Pty Ltd. Mr Gregory has sufficient experience relevant to the style of mineralization and type of deposit under consideration 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 Gregory consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.



Aurox Competent Person Statements – Ore Reserves

The Balla Balla Ore Reserves were estimated by Mr Steve Craig of Orelogy Pty Ltd who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Steve Craig consents to the inclusion in this report of the above Resource and Reserve information in the form and context in which it appears.

Aurox Competent Person Statements – Mineral Resources

In July 2009 Aurox reported an increase to Measured, Indicated and Inferred Resources of the Central-East Pit areas of the Balla Balla magnetite deposit. In September 2008 Aurox reported an increase to Measured, Indicated and Inferred Resources of the Western Pit area of the Balla Balla magnetite deposit. In December 2008 Aurox upgraded the Balla Balla Far West area resources from 100% Inferred to Measured, Indicated and Inferred Resources. The information in these reports that relates to Exploration and Minerals Resources is based on information compiled by Matt Chinn and Richard Gaze who are both members of the Australian Institute of Mining and Metallurgy. Matt Chinn is a full-time employee of Aurox Resources Limited. Richard Gaze is a full time employee of Golder Associates. Matt Chinn and Richard Gaze have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Matt Chinn and Richard Gaze consent to the inclusion in the report of matters based on this information in the form and context in which it appears.

Annexure B

Summary of Key Terms of Scheme Implementation Agreement

Atlas and Aurox have entered into a Scheme Implementation Agreement dated 10 March 2010 (**SIA**) setting out each party's obligations in connection with the implementation of the share scheme of arrangement between Aurox and its shareholders (**Scheme**). An outline of the key terms and conditions of the SIA is set out below.

Conditions precedent to the Scheme

The principal conditions precedent to the implementation of the Scheme include:

- **board recommendation:** a majority of the Aurox directors do not change or withdraw their recommendation that shareholders vote in favour of the Scheme in the absence of a superior proposal;
- **board actions:** no member of the Aurox board disposes of any interest in Aurox shares, options or notes, or exercises any Aurox option (other than options due to expire prior to the Scheme becoming effective) or converts any Aurox note;
- **orders convening meeting:** the court orders the convening of the Scheme Meeting;
- **scheme participants approval:** the Scheme is approved by the requisite majority of Aurox shareholders at the Scheme Meeting;
- **court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- **independent expert's report:** the independent expert concludes that the Scheme is in the best interests of Aurox shareholders, and does not change that conclusion;
- **regulatory approvals:** approvals (if any) from applicable regulatory bodies are granted;
- **no competing proposal:** no proposal is announced or made whereby a person (other than Atlas) and their associates:
 - may, agrees to or does, acquire a relevant interest in 10% or more of Aurox shares, Aurox options or Aurox notes;
 - may acquire an interest in all or a substantial part of the business or assets of Aurox; or
 - may otherwise acquire control, or merge with Aurox.
- **no restraint affecting implementation:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition prevents implementation of the Scheme;
- **Scheme effective:** the Scheme becomes effective before the date six months after the date of the SIA (**Sunset Date**);
- **no Aurox material transactions:** there being no material transactions (defined below) undertaken by Aurox without Atlas' prior consent;
- **no prescribed event:** no Atlas or Aurox prescribed event occurring;

- **no material adverse effect:** there being no material adverse effect on the structure, business, assets, liabilities, operations, financial or trading position or performance and prospects of Atlas or Aurox, and there being no material adverse effect on the rights, entitlements or obligations of any member of the Aurox Group under the port facility agreement between Ferro Metals Australia Pty Ltd and the Port Hedland Port Authority (Aurox as guarantor);
- **third party consents:** all third party consents are granted or obtained in respect of implementation of the Scheme;
- **representations and warranties:** the representations and warranties of both Atlas and Aurox (as set out in the SIA) are true and correct;
- **no termination:** the SIA not being terminated; and
- **Aurox options:** binding agreements are entered into for all outstanding Aurox options to be acquired by Atlas or otherwise dealt with to Atlas' reasonable satisfaction.

Exclusivity

From the date of the SIA until the earlier of the date that the Scheme becomes effective or the Sunset Date:

- **no-shop restriction:** Aurox must ensure that its directors, officers, employees, agents, associates and advisers do not solicit, invite, facilitate, encourage or initiate any competing proposal;
- **no-talk restriction:** Aurox must ensure that its directors, officers, employees, agents, associates and advisers do not negotiate, enter into, continue or participate in negotiations or discussions with any other person regarding a competing proposal even if the competing proposal was not solicited or encouraged by Aurox or has been already been publicly announced; and
- **notification:** Aurox must notify Atlas in writing of any approach made to Aurox regarding a competing proposal and any request for information about Aurox related to a competing proposal, and provide Atlas with details of the matter.

The no-talk and notification restrictions do not apply to a bona fide competing proposal that was not encouraged, solicited or invited by Aurox and Aurox obtains a written legal opinion that failure to respond to or deal with or provide notification of, the competing proposal would breach the fiduciary or statutory duties of Aurox's directors or otherwise contravene the law.

Right to Match Third Party Proposal

If, from the date of the SIA until the earlier of the date that the Scheme becomes effective or the Sunset Date, Aurox receives a competing proposal that if completed would result in a transaction more favourable to Aurox shareholders than the Scheme, Aurox must:

- notify Atlas and not take any action regarding the competing proposal until Atlas has had one business day after notification to prepare a counterproposal; and
- review any counterproposal from Atlas and if it is more favourable than the competing proposal, take steps to implement the counterproposal.

Payment of compensation

Aurox must pay Atlas \$1,425,000 as compensation for costs and expenses incurred by Atlas in relation to the Scheme and performance of its obligations under the SIA if:

- an Aurox prescribed event or material transaction occurs;
- a majority of Aurox's directors fail to recommend the Scheme or withdraw their support for or recommendation of the Scheme (other than because of an Atlas material adverse effect);
- a member of Aurox's board disposes of any interest in Aurox shares, options or notes, or exercises an Aurox option (other than options due to expire prior to the Scheme becoming effective);
- Atlas terminates the SIA because Aurox does not remedy a material breach of the SIA after receiving notice to do so from Atlas; or
- the Scheme has not become effective before the Sunset Date because of a material breach of the SIA by Aurox.

Atlas must pay Aurox \$500,000 as compensation for costs and expenses incurred by Aurox in relation to the Scheme and performance of its obligations under the SIA if an Atlas prescribed event occurs or Aurox terminates the SIA because Atlas does not remedy a material breach of the SIA after receiving notice to do so from Aurox.

Limit to compensation

Aurox need not pay, and any compensation already paid to Atlas must be returned, if:

- the Scheme becomes effective, or if Atlas succeeds in acquiring more than 50% or all of the Aurox shares and cancelling more than 50% or all of the Aurox options; or
- the independent expert concludes that the Scheme is not in the best interests of Aurox shareholders because of an Atlas material adverse effect.

Atlas need not pay, and any compensation already paid to Aurox must be returned, if the Scheme becomes effective, or if Atlas succeeds in acquiring more than 50% of the Aurox shares and acquiring or cancelling more than 50% of the Aurox options.

The above undertakings to pay compensation will not apply (and any compensation already paid must be returned by the payee) if all, or any part of the compensation is found to be unlawful, involves a breach of directors' duties, or constitutes unacceptable circumstances under the Corporations Act.

Atlas' Loan to Aurox

Atlas has agreed to extend an unsecured, interest-bearing loan of up \$7.7 million to Aurox in order to enable Aurox to redeem the outstanding Aurox notes which are due to mature on 30 June 2010. Interest will be calculated on the daily outstanding balance of the loan at the rate of 10% per annum. The loan will be repayable on the earlier of 4 months from the date of draw down and 20 business days after termination of the SIA.

Consultancy arrangements

Atlas has agreed to offer each of Mr Charles Schaus, Mr Michael Sillcock and Mr Craig Ferrier an engagement as consultant to Atlas for a period of 12 months after the implementation of the Scheme and with remuneration on terms no less favourable than their current arrangements with Aurox (but with such

remuneration to be reduced by any amount (excluding accrued statutory entitlements) received upon termination of their employment with Aurox).

Termination

Either party may terminate the SIA by giving notice in writing:

- if a condition can not be satisfied before, or has not been satisfied or waived by, the time and date it is required to be satisfied pursuant to the SIA (unless Atlas and Aurox have agreed to an extension of time);
- the Scheme have not become effective by the Sunset Date (unless Atlas and Aurox agree to an extension of time); or
- if the other party does not remedy a material breach of the SIA after receiving notice from the other party to do so.

Summary of Key Definitions

- **Aurox material transactions** means those transactions that concern the acquisition, encumbrance or disposal of an asset or undertaking, dealing with contractual or other commitments, or right which:
 - are not in the ordinary course of business; or
 - individually or when aggregated with related transactions has a value or involves a liability or expenditure of \$500,000 or more.
- **Aurox prescribed event** means one of the following events occurs:
 - (a) Aurox converts all or any of its shares into a larger or smaller number of shares;
 - (b) Aurox or a subsidiary resolves to reduce its share capital in any way;
 - (c) Aurox or a subsidiary enters into a buy-back agreement or resolves to approve the repurchase of any of its issued capital;
 - (d) Aurox makes any amendment to the terms of issue of any Aurox options or Aurox notes which extends their exercise period, increases the number exercisable, brings forward the exercise date, reduces the exercise price, or increases the number of shares to be issued on the exercise of an option or conversion of a note;
 - (e) Aurox or a subsidiary, does or agrees to:
 - (i) issue shares or grants options over its shares excluding in relation to the Scheme and any issue of shares issued as a result of exercising existing Aurox options or converting the existing Aurox notes;
 - (ii) issue convertible securities; or
 - (iii) create any encumbrance over the whole or part of Aurox's business or property;
 - (f) Aurox resolves to be wound up or liquidated, appoints a liquidator or administrator, receives a court order for winding up, executes a deed of company arrangement, or appoints a receiver and manager in relation to the whole or substantial part of its property;
 - (g) Aurox makes a material amendment to its constitution;

- (h) other than for any dividend already paid, declared or announced on or before the date of the SIA, Aurox declares or pays any dividend, or makes or incurs a liability to make any distribution of its profits or assets;
 - (i) Aurox makes a change to its accounting practices or policies other than to comply with generally accepted accounting standards or elects to form a consolidated group for income tax purposes;
 - (j) proceedings are brought against Aurox which are likely to result in damages payable of more than \$500,000, and which are not covered by insurance;
 - (k) other than in the ordinary course of business and consistent with past practice, Aurox does or agrees to:
 - (i) dispose of all or part of its business or property;
 - (ii) acquire assets or businesses worth more than \$500,000;
 - (iii) enters into a joint venture, partnership off-take or similar arrangement; or
 - (iv) make a commitment, or terminate or amend a material contract, involving revenue or expenditure of more than \$500,000.
 - (l) Aurox increases its level of indebtedness by more than, or issues a guarantee or indemnity that may exceed, \$500,000; or
 - (m) Aurox, other than in the ordinary course of business and consistent with past practice, with regard to their directors and employees, increases remuneration or varies employment arrangements, accelerates any rights to benefits or pays a termination or retention payment other than according to an existing contract.
- **Aurox material transactions** means those transactions that concern the acquisition, encumbrance or disposal of an asset or undertaking, dealing with contractual or other commitments, or right which:
 - are not in the ordinary course of business; or
 - individually or when aggregated with related transactions has a value or involves a liability or expenditure of \$500,000 or more.
 - **Atlas prescribed event** means one of the following Aurox prescribed events described above but in relation to Atlas: (a), (b), (c), (f), (g), (h) and (i).

This annexure is a summary only of key terms to the Scheme Implementation Agreement signed by Atlas and Aurox.