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11 June 2007

MEMORANDUM OF UNDERSTANDING SIGNED WITH FORTESCUE METALS GROUP LIMITED

Atlas Iron Limited (“Atlas”) [ASX: AGO] is pleased to announce that it has entered into a Memorandum of Understanding (“MOU”) with Fortescue Metals Group Limited (“Fortescue”) [ASX: FMG].

The MOU contemplates that Fortescue through its wholly owned subsidiary The Pilbara Infrastructure Pty Ltd (“TPI”) and Atlas will negotiate in good faith to agree commercial terms on which TPI will provide Atlas with services as follows:

- (a) Interim port handling and ship loading services for the period March 2008 through to March 2009 at a rate up to one (1) million tonnes per annum of iron ore from its “Pardoo DSO Project”. This service will be provided for a period of approximately 12 months or until such time as the pending expanded public access berth is commissioned at Utah Point.
- (b) Port handling and ship loading services for up to ten (10) million tonnes per annum of magnetite concentrate from Atlas’ “Pardoo Magnetite Project”.
- (c) Rail haulage, port handling and ship loading services at a rate up to three (3) million tonnes per annum of iron ore from Atlas’ “Abydos DSO Project”.

Fortescue and Atlas have agreed that they will in good faith negotiate and seek to agree commercial terms for the interim port handling and ship loading services for the period March 2008 through to March 2009 within 60 days of the date of signing the MOU.

Fortescue and Atlas have agreed that the MOU represents the setting of a time line to work toward achieving commercial terms that benefits each party, Pilbara communities and the State of Western Australia.

Fortescue and Atlas have agreed that this MOU is not legally binding on Fortescue and Atlas.

“Being able to load iron ore through the TPI ship loader until the new government facility is completed will minimise our impact on dust and road train traffic through the town of Port Hedland. That is a key objective”, commented David Flanagan, Atlas’ Managing Director.

“While Atlas is planning to haul Pardoo iron ore to Port Hedland by road transport, we believe that rail is the safest and most commercially viable means to haul iron ore. Wherever we can work with infrastructure owners to achieve a workable rail solution, we will.”

“Access to a cape size berth with capacity for 10mtpa of concentrates is a major advantage to the Atlas magnetite project”, he added.

Background

Direct Shipping Iron Ore

Atlas Iron Limited is working to complete definitive feasibility studies, on direct shipping grade iron resources at the Pardoo project, 75 kilometres east of Port Hedland for disclosure in the June 2007 quarterly report. Subject to environmental approvals, shipping is due to commence by March 2008. The company is targeting the commencement of production at 1 million tonnes per annum in its first year of operation, with production growing to 3 million tonnes per annum by 2010.

The construction of the proposed expanded public access port facilities in Port Hedland is scheduled to be completed during 2008 (with capacity up to 15 million tonnes per annum), with exports from this facility commencing by early 2009.

Atlas is currently exploring the Abydos project, 100 kilometres south of Port Hedland and has previously reported (10th January 2007) that the Abydos Project is prospective for in the order of 15 to 20mt of iron ore grading 58 to 61% Fe. The company has not yet reported iron ore resources from the project. While the company remains optimistic it will report resources in the future, any discussion in relation to targets, resources, reserves or 'ore' in relation to Abydos only conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is not certain if further exploration will result in the determination of a Mineral Resource.

Magnetite Target Potential

Atlas Iron Limited is working to complete a scoping study and initial inferred resource on a proposed magnetite development at Pardoo for reporting in July 2007. Atlas has previously reported (8th June 2006) that the Pardoo Project is prospective for in the order of 1 to 1.5 billion tonnes of Magnetite Iron Ore grading 35 to 38% Fe. Any potential magnetite development is likely to involve the engagement of a strategic partner. The pending scoping study is designed to provide a sound basis for demonstrating significant value in the project and attracting a suitable development partner.

Atlas has not yet reported magnetite ore resources from any of its Projects. While the company remains confident it will report resources in July 2007, any discussion in relation to targets, resources, reserves or 'ore' is only conceptual in nature, there has been insufficient work completed to date to define a Mineral resource.

For further enquiries, please contact:

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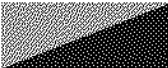
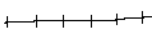
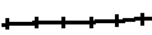
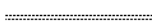
The information in this report that relates to exploration & resource results is based on information compiled by Mr Mark Gunther who is a member of the Australian Institute of Geoscientists and is an employee of Atlas Iron Limited. Mark Gunther has sufficient experience which is relevant to the style 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 & Resource Results. Mark Gunther consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Port Hedland

**PARDOO
Project**

**ABYDOS
Project**

120 klms

	Atlas tenements
	Existing railway
	Proposed FMG railway
	Existing major highway

