

Recommended Takeover Offer For Giralia Resources Limited By Atlas Iron Limited

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Perth, Australia (ABN Newswire) - [Atlas Iron Limited](#) ('Atlas') (ASX: AGO) and [Giralia Resources Limited](#) ('Giralia') (ASX: GIR) are pleased to announce that they have signed a Bid Implementation Agreement ('BIA') for an off-market takeover bid by Atlas for all of the shares in Giralia ('Offer').

The Offer is unanimously recommended by the Giralia Board, in the absence of a Superior Proposal and subject to the opinion of an independent expert. All of Giralia Directors have entered into pre-bid agreements with Atlas in respect of all of the shares that they own, representing approximately 7.5% of Giralia's shares.

Offer Details

The Offer implies a market capitalisation for Giralia of approximately A\$828 million based on the 5 day VWAP of Atlas shares to 20 December 2010 of A\$3.05 and will create a merged group with a pro-forma market capitalisation of approximately A\$2.5 billion. Two alternative consideration structures are available for Giralia shareholders:

- 1.5 Atlas shares per Giralia share ('All Scrip Alternative'); or
- 1.33 Atlas Shares and A\$0.50 cash per Giralia share ('Scrip and Cash Alternative').

Based on the 5 day VWAP of Atlas shares to 20 December 2010 of A\$3.05, the implied offer price of A\$4.57 per Giralia share under the All Scrip Alternative represents a compelling premium of:

- 52.9% to the closing price of Giralia shares to 20 December 2010; and
- 53.5% to the 1 month volume weighted average price ('VWAP') of Giralia shares to 20 December 2010.

The Offer extends to any Giralia shares that are issued as a result of the exercise of Giralia options during the Offer Period. However, Atlas also intends to enter into private treaty arrangements with Giralia optionholders to acquire or cancel their options in exchange for Atlas shares ('Option Offer').

Offer Rationale and Benefits for Atlas and Giralia Shareholders

The Boards of both Atlas and Giralia consider that the combination of the two companies will provide significant strategic and financial benefits to the shareholders of both Atlas and Giralia.

Mr David Flanagan, Managing Director of Atlas commented:

'The two companies have deposits that either join or are very close to each other at Mt Webber, McPhee Creek, Beebyn Range and Western Creek. This merger is a great way to grow production, reduce operating costs, maximise cash flows and deliver significant value for all shareholders.'

Mr Graham Riley, Chairman of Giralia stated:

'The Giralia Board believes the effective merger of the two companies, combining Giralia's large DSO iron ore resources with Atlas' considerable DSO resources and reserves and significant rights to port capacity, is forceful and compelling, unlocking significant latent value for both companies, and creating a combined entity with the critical mass and required infrastructure to be a significant power in the Pilbara iron ore sector. The Board of Giralia has full confidence in David Flanagan and the Atlas team to drive the projects forward and create significant value for shareholders, and the Directors have agreed to execute Pre Bid Agreements with

respect to their personal shareholding in Giralia to satisfy a pre-condition to enable the Offer to be put to shareholders.'

There are a number of compelling benefits for shareholders of both Atlas and Giralia, including:

- Complementary Assets. Atlas' Mt Webber project (Atlas -70%) and Giralia's Dalton's Project (Giralia - 75%) have the potential to be developed together as one 80Mt deposit. In addition, Giralia's McPhee Creek has the potential to form part of an expanded 20Mtpa+ Turner River Hub facility.
- Resource Inventory. All shareholders will ultimately benefit from a combined 602Mt of DSO resources¹, additional exploration targets of 255Mt to 690Mt at 56% to 60% Fe₂, two outstanding Pilbara magnetite projects and a highly prospective 26,000km² Pilbara landholding.
- Scale of Production. This transaction provides a cost effective and immediate increase to Atlas' Resource base to total over 433Mt in the North Pilbara, and from this, Atlas and Giralia believe that the transaction has the potential to increase merged production rates from the North Pilbara to 22Mtpa by 2015, and to substantially increase overall life of operations.
- Cost Efficiencies. Combining the two asset portfolios provides the capacity to substantially reduce overall capital and operating costs. In addition, the combined entity would have increased access to funding, enabling it to more readily fund the business in a cost effective manner.

In addition, there are a number of identified benefits for Giralia shareholders:

- Immediate Cash Flow. The transaction will give Giralia shareholders exposure to Atlas' existing iron ore production and a rapidly growing production profile from a number of development projects, including the Abydos DSO Project and Mt Webber DSO Project, and the Ridley and Balla Balla Magnetite Projects.
- Atlas Shares are Liquid. Atlas shares have substantial liquidity and therefore provide Giralia shareholders and optionholders with an asset which is more easily monetised.
- Access to Infrastructure. This transaction provides an immediate infrastructure solution to Giralia's promising asset portfolio. Atlas' existing port access arrangements have capacity to provide Giralia's assets with a path to market.
- Capital Gains Tax ('CGT') Rollover Relief. Should Atlas acquire 80% or more of Giralia's shares, Giralia shareholders who are Australian tax residents are likely to benefit from CGT rollover relief in relation to the receipt of Atlas shares under the Offer.

Exclusivity Arrangements and Pre-Bid Agreements with Giralia Directors Atlas and Giralia have agreed exclusivity arrangements in relation to the Offer, under which the parties have agreed that unless the BIA is terminated, Giralia 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 Giralia must provide immediate notification of a competing proposal to Atlas, and allow Atlas to counter-offer.

In addition, Atlas has entered into pre-bid acceptance agreements with all Board members of Giralia for all of the shares that they own, representing approximately 7.5% of the Giralia shares on issue, contractually binding them to accept the Offer in respect of all their shares, subject to no Superior Proposal being received by Giralia which is not matched by Atlas. Further particulars of the terms of these agreements will be provided by Atlas in a substantial shareholder notice to be lodged with ASX.

Offer Conditions and Indicative Timetable

The Offer is subject to customary conditions, including the following:

- Minimum acceptance condition of 90%;
- No Material Adverse Change in relation to Giralia; and
- Acquisition by Atlas or cancellation of all outstanding options over Giralia shares

Further details in relation to the Offer conditions are set out in schedule 1 to the BIA. Full particulars of the

Offer will be provided in the Bidder's Statement and Target's Statement along with an independent expert's report.

The indicative timetable in relation to the Offer is set out below.

- Thursday 6 January 2011: Atlas lodges Bidder's Statement with ASIC and ASX and serves it on Giralia
- Monday 10 January 2011: Atlas despatches Bidder's Statement to Giralia Shareholders
- Tuesday 11 January 2011: Offer Opens
- Wednesday 19 January 2011: Giralia lodges its Target's Statement with ASIC and ASX and serves it on Atlas
- Monday 24 January 2011: Giralia despatches its Target's Statement to Giralia Shareholders
- Friday 11 February 2011: Close of Offer (unless extended)

Other Matters

Following successful completion of the Offer, a Giralia Director will be invited to join the Board of Atlas.

Atlas' corporate adviser is Hartleys Limited and its legal adviser is Blake Dawson. Giralia's financial adviser is Credit Suisse (Australia) Limited and its legal adviser is Allion Legal.

Background of Giralia

Giralia is an iron ore explorer whose main focus is the Daltons and McPhee Creek DSO Projects located in the Pilbara, approximately 150km and 200km south and southeast of Port Hedland. These Projects contain an aggregate mineral resource of 300Mt. Giralia also holds numerous other iron ore and other mineral prospects, and a number of listed investments, retained as a part of its strategy of spinning off non-core assets.

For the complete Atlas Iron announcement including figures, please refer to the following link:

<http://www.abnnewswire.net/media/en/docs/64862-ASX-AGO-521581.pdf>

About Atlas Iron Limited:

Atlas Iron Limited (ASX:AGO) is mining and exporting from its 100%-owned Pardoo and Wodgina Iron Ore projects, located 75 kilometres and 110km by road from Port Hedland in the Pilbara region of Western Australia. In the 2009/10 financial year Atlas shipped over 1.2 million tonnes of Pardoo Direct Shipping Ore (DSO). Atlas is expanding its production from its Wodgina and Pardoo DSO mines following the commissioning of the Utah Point port facility and is targeting exports at an annualised rate of 6 million tonnes by the end of 2010. When combined with additional export tonnages from its Abydos & Mt Webber DSO Projects, the Company is targeting exports at an annualised rate of 12 million tonnes during 2012.

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