

FerrAus Limited Announce Consolidation Of The South East Pilbara And Recommended Takeover Offer From Atlas Iron Limited

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Perth, Australia (ABN Newswire) - [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 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 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:

- All FerrAus shareholders (including Atlas and indirectly its shareholders) will benefit from a combined 489Mt 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.

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 per FerrAus share, representing a premium of 34% to FerrAus' closing share price on 24 June 2011. 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

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. (see link at the bottom of the release)

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 lodged 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.

For the complete Atlas and Ferraus announcement including tables, maps and the Bid Implementation Agreement, please refer to the following link:

<http://www.abnnewswire.net/media/en/docs/546649.pdf>

About Ferraus Limited:

FerrAus Limited (ASX: FRS) is a junior exploration company based in Australia with its focus on the discovery and production of ferrous raw materials, including iron ore, manganese, and nickel. The company has four exploration licences located in the East Pilbara region of Western Australia with excellent potential for iron ore and manganese deposits.

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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