
Atlas Iron and Warwick Resources in merger move

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Pilbara iron ore producer Atlas Iron announced that it will merge with fellow Pilbara explorer Warwick Resources. Atlas is currently the largest shareholder of Warwick and owns 22.2% of the company.

Atlas will offer 1 Atlas share for every 3 Warwick share. At current Atlas share price bid values Warwick at 55.6 cents per share. Last sale for Warwick was 46.5 cents. The merger would be implemented by a scheme of arrangement.

Reasoning behind the merger, which Warwick directors have recommended, is the combined entity would stand to reap substantial benefits from higher tonnage production including lower costs, increased buying power and greater marketing strength.

The parties have agreed Warwick will not solicit any competing proposal or participate in any discussions or negotiations in relation to any competing bid.

Atlas also said its board will remain unchanged following the merger.

Warwick's iron ore assets are based near Newman in the Pilbara region of Western Australia and have a combined land area of more than 5,000 square kilometres.

Mr David Flanagan MD of Atlas believes the logic of the merger is compelling, marrying Warwick's SE Pilbara projects, with production growth from Atlas' projects in the north Pilbara. He said that "Larger export tonnages mean lower fixed costs, better buying power, a significant increase in cash flow, stronger returns for shareholders and a more substantial business for the long term."

The combined entity would have 154 million tonnes of Direct Shipping Ore resources, plus exploration targets of 165 million tonnes to 338 million tonnes at 56% to 60% Fe and a Pilbara landholding of more than 15,000 kilometres.

Atlas currently mining and exporting from its 100% owned Pardoo iron ore project, located 75 kilometres by road from Port Hedland in the Pilbara region of Western Australia. Atlas is planning to export 1 million tonnes during 2009 from Pardoo. However, once the Utah Point port facility is completed, Atlas aims to ship 2.4 million tonnes in 2010, increasing to 6 million tonnes when Wodgina and Abydos DSO projects are on-stream.

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