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Atlas cuts iron ore production as Hancock bid supported

by **Robert Guy**

Atlas Iron's board has unanimously recommended shareholders accept the \$390 million offer from Gina Rinehart's Hancock Prospecting, while unveiling a cut in iron ore production and a breach of its information technology systems.

The junior iron ore miner, which is also being stalked by major shareholder Fortescue Metals Group, will cut iron ore production at its Mount Webber mine to around seven million tonnes a year and suspend iron ore processing at its Mount Dove operation.

The cuts came as West Australian Premier Mark McGowan said it could be months before his government clarifies its position on prized berth and channel capacity at Port Hedland.

Mr McGowan said his government would talk to all parties involved in the battle for Atlas Iron, including Hancock Prospecting and Fortescue.

"Our position is that South West Creek is reserved for junior miners but obviously I think we have to work to provide some clarity for the mining sector about that issue," he said.

The production cuts cap a dramatic week for Atlas, which has been caught in the crossfire of an escalating brawl between iron ore billionaires Gina Rinehart and Andrew Forrest, chairman of Fortescue Metals Group. Hancock owns 19.9 per cent.

Fortescue, which also has a 19.9 per cent stake, turned to the [Takeovers Panel during the week](#), alleging the bidder's statement from Hancock Prospecting subsidiary Redstone contained misleading statements and material omissions.

Hancock's bid is pitched at 4.2¢ a share. Redstone issued a supplementary bidder's statement during the week that provided a more detail on its plans for Atlas.

Fortescue then [demanded more disclosure](#) on whether the Atlas-controlled North West Infrastructure had priority development rights over berths at Port Hedland. Atlas, on Thursday, [conceded it saw no value in NWI](#).

"Fortescue welcomes the clarity provided by the state government today confirming NWI no longer has priority entitlement to Stanley Point Berths 3 and 4 at South West Creek. We agree there needs to be consultation with industry regarding these important infrastructure assets and look forward to participating in that process," said Fortescue chief executive Elizabeth Gaines.

The production cut comes a year after Atlas announced a lift in production at Mount Webber to nine million tonnes a year from seven million tonnes a year, with the additional capacity to be processed at Mount Dove.

Atlas has been hurt by the widening discount applied to lower grade iron ore, with the miner announcing in May that challenging market conditions would lead to a non-cash impairment charge of up to \$100 million.

The company said on Friday that it had recorded an average realised sale price of \$60 per wet metric tonne and full cash costs of \$61 a tonne on volume of 800,000 tonnes in May.

Atlas also revealed on Friday that its technology systems were "disrupted by a security breach" that caused data to be corrupted.

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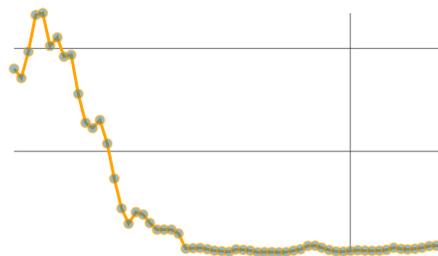
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