



One plus one equals greater than two...

Mineral Resources (MIN)

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	Under Review
Previous Target	\$ 22.53
Share Price (A\$)	\$ 16.05
ASX Code	MIN
52 week low - high (A\$)	9.22-22.01
Capital structure	
Shares on Issue (M)	187
Market Cap (A\$M)	3,007
Net Cash/(Debt) (A\$M)	94
EV (A\$m)	2,913
Options on issue (M)	0
12mth Av Daily Volume ('000)	1,630

Atlas Iron (AGO)

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	Under Review
Previous Target	\$ 0.037
Share Price (A\$)	\$ 0.027
ASX Code	AGO
52 week low - high (A\$)	0.012-0.04
Capital structure	
Shares on Issue (M)	9,280
Market Cap (A\$M)	223
Net Cash/(Debt) (A\$M)	2
EV (A\$m)	221
Options on issue (M)	333
12mth Av Daily Volume ('000)	99,976

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The analysts do not own MIN or AGO securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own MIN securities.

Cranport Pty Ltd owns 30,000 MIN shares and 15,000,000 AGO shares.

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Event:

- **Mineral Resources (MIN) to acquire Atlas Iron (AGO).**
- **Acquisition of AGO by Scheme of Arrangement.** MIN yesterday announced it is seeking to acquire AGO via a Scheme of Arrangement. The Directors of AGO unanimously recommend voting in favour of the Scheme, which values AGO at 56% premium to prior close.

Investment Highlights:

- **Prima facie merger favours AGO.** Pre-merger the combined market cap of the two companies was \$3,412M split 95%: 5% MIN: AGO. The scheme implies a new split of 92%: 8%, implying AGO shareholders to be the major beneficiary of the merger.
- **However significant synergies means a win-win for both companies.** We envisage the rationale for the acquisition to be driven by significant synergies for MIN and AGO all across the various operational silos of the mining chain. This includes exploitation of resources and new opportunities, mining, processing, administration, transport and port logistics, marketing, and deployment of capital and equipment.
- **Common region, commodities, and logistics.** The platform for synergies lies in both companies having operations in the Pilbara, both mine iron ore, both seeking to exploit lithium (albeit MIN here is significantly more advanced), and both shipping through Port Hedland.
- **Cost efficiencies.** We expect the acquisition of AGO can enable lowering costs of both AGO's existing and future (e.g. Corunna Downs; DSO projects) iron ore operations. The deployment of MIN's BOSS can provide reduced transport costs. Opportunity exists for blending of iron ore to optimise grade and impurities.
- **Marketing and port benefits.** Potential to optimise Port operations – both companies hip through Utah Point – exist, and we expect benefits in the marketing of iron ore. We also expect savings in administration.
- **Alliance independent of success of Scheme.** Additionally, the companies announced formation of an alliance between themselves to pursue opportunities in the region. This includes an SPV controlled by AGO to identify lithium and manganese opportunities, which can draw on MIN's capital resources and experience to quickly take advantage of such situations when they arise.

Valuation and Earnings:

- **Our valuation and earnings forecasts for both MIN and AGO are currently under review.**

Recommendation:

- **We currently recommend both MIN and AGO as Buy.** Our price targets are under review.