Cost priority for combined MinRes, Atlas

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Mineral Resources says its takeover of Atlas will enable both Western Australia-based mining companies to maximise the value of their low-grade iron ore deposits in the face of a tough export market.

Mineral Resources managing director Chris Ellison says the price of low-grade iron ore has dropped as China steelmakers move to using higher grade ore, which had made things difficult for low-grade iron ore producers in recent years.

Mr Ellison says low-grade iron ore producers will only survive if they cut production costs.

"This acquisition (of Atlas Iron) is part of our strategy to get there," Mr Ellison said on Wednesday.

Mr Ellison said Atlas Iron has no money to expand its assets, whereas Mineral Resources does.

He said Mineral Resources, which on Monday entered into a scheme of arrangement to take over Atlas Iron, hopes to rapidly expand the operations of the combined companies and cut production costs.

The intention is lift annual production of iron ore to 18 million to 20 million tonnes and cut production costs by $10 per tonne to save $180 million to $200 million per year.

Atlas Iron has agreed to a $280 million takeover offer Mineral Resources.

Mineral Resources is offering one share for every 571 Atlas shares in a deal that offers a 59 per cent premium to Atlas's closing price on April 4.

Atlas's board has urged shareholders to support the deal, with a vote on the scheme expected in July.

Atlas shares were 0.1 cents, or 3.5 per cent, lower at 2.8 cents on Wednesday, having spiked on Monday from a pre-announcement price of 1.9 cents..

Mineral Resources fell 37 cents, or 2.2 per cent, to $16.44.

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