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Plenty of upside to Atlas

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ANALYSTS at brokerage Hartleys has rated Atlas Iron as a Speculative Buy and expects the iron ore hopeful to release an initial resource for its Ridley magnetite project in Western Australia worth around \$450 million in potential market value.

With Atlas continuing to report wide zones of mineralisation grading at around 33-36% iron ore, which makes it possible to achieve an iron grade of 69% using Davis Tube Testwork, Hartleys estimate that an initial resource of some 900 million tonnes at 34% iron will be released in July.



Atlas Iron's Pardoo Iron ore project lies 75km from Port Hedland, Western Australia

Meanwhile, a partnership will be needed with a group that "has a strong requirement for magnetite concentrate feed" for the capital and energy-intensive project where the scoping study forecast production of 8-10 million tonnes per annum concentrate over a 25-year mine life.

While Hartleys acknowledge that Atlas currently has enough cash to continue its drilling activities and study programs, it believes that the company will choose to construct a 3Mtpa crushing and screening plant at the magnetite project rather than developing the project in stages.

"We estimate this election will require [around] \$10 million-\$20 million to be raised with incoming partners to the magnetite project being the most obvious source of funds," Hartleys said.

However, the potential risk to the project is environmental approvals, which could delay the project by around six months.

Atlas is hopeful that the project will not be subject to a public environmental review, however that outcome will not be known until July.

"We expect completion of the hematite and magnetite studies in July to provide catalysts for share price appreciation," Hartleys said.

"With the move to production over the next 10 months, we rate Atlas Iron as a Speculative Buy."

Shares in Atlas climbed 4c to 64c in late morning trading today.

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