

10 July 2014

## FINDINGS OF PLANT TECHNICAL REVIEW

Atlantic Ltd (ASX: ATI) (**Atlantic or the Company**).

### Introduction

In February 2014 a major fire occurred in the beneficiation plant of the Company's Windimurra Operation in Western Australia, halting the production of vanadium for at least 12 months while the beneficiation plant is demolished and rebuilt. While that work is proceeding, the Company has been conducting a thorough review of its business, drawing on the experience of external advisors to review the mine plan, the crushing, milling and beneficiation (**CMB**) circuit and the refinery, based on the commissioning and ramp-up experience over the last two years. The review was designed to ensure that the Company has an efficient, sustainable, long-term business. That review has now been completed and the Company is now able to update the market on its findings.

### Plant Technical Review

The Company established a project team comprising staff from the Company's engineering and technical teams plus external engineering advisors to complete a technical review of all components of the Windimurra plant, with a view to identifying and addressing any production bottlenecks in the operation.

The Company has now received reviews conducted by AMEC Australia Pty Ltd in respect of the CMB circuit and by Hatch Pty Ltd for the downstream refinery. These reviews have identified certain bottlenecks, along with solutions to these bottlenecks, to facilitate the plant meeting production levels that provide a long-term sustainable basis for the business going forward.

The primary production bottleneck identified in the extensive engineering study undertaken by AMEC relates to the inability of the plant to reliably produce sufficient magnetite concentrate feed to match the capacity of the downstream refinery.

After significant review and input from the Company's technical team, AMEC's recommended course of action involves a revision to the Windimurra process flow sheet which includes replacing the existing secondary and tertiary crushers and high pressure grinding rolls (**HPGR**) with a semi-autogenous grinding mill (**SAG mill**).

SAG mill technology is used throughout the world to process a wide variety of ore bodies and was used successfully by the previous operator of the Windimurra project.

In addition, the AMEC and Hatch reports have identified a number of less significant de-bottlenecking projects which the Company intends to complete concurrently with installation of a SAG mill.

A review of the existing mine plan by AMC Consultants Pty Ltd indicates that it is likely to be more efficient for the Company to adopt a more shallow pit scenario, with a reduced waste to ore ratio, which more closely matches the feed requirements of the processing plant.

The capital cost to implement the new CMB flow sheet design and the other de-bottlenecking projects is expected to be approximately A\$130 million (including contingency). This excludes the cost of the beneficiation plant rebuild covered by the material damage component of the Company's insurance claim.

With this new process flow sheet and the rebuild of the fire damaged beneficiation plant, at steady state the Company expects the project to produce approximately 4,800 - 5,200 tonnes per annum of contained vanadium.

A plan has been put into place to right-size the business to take into account these production levels, which are lower than was previously envisaged for the Operation.

In steady state operation, Atlantic's preliminary view, noting this analysis is subject to change, is that the project's new process flow sheet could deliver the following on an annual basis:

Assumptions	Units	Near Term Indicative Steady State <sup>1</sup>	Long Term Indicative Steady State <sup>2</sup>
Annual production	tonnes V	4,800 – 5,200	4,800 – 5,200
V price forecast <sup>3</sup>	US\$/kg V	\$29 – \$33	\$33-\$36
Exchange rate <sup>4</sup>	US\$:A\$	\$0.88 – \$0.85	\$0.79
Annual EBITDA <sup>5</sup>	A\$ million	\$30 – \$50	\$69 - \$86

1. Near Term Indicative steady state reflects operation from 2017 to 2020, following ramp-up of production
2. Long Term Indicative steady state reflects operation from 2021 onwards
3. Roskill independent price forecast from year 3 after ramp-up of production
4. Weakening US\$:A\$ from US\$0.94 to US\$0.79 assumed over time
5. Excludes iron ore

## Discussions with Stakeholders

To fund the proposed capital expenditure and working capital to implement the proposed process improvements, the Company will require additional funding. The Company is seeking such funding from a number of sources, principally: existing stakeholders, the expected reimbursement payment from the Australian Taxation Office (**ATO**) under the Research & Development Tax Incentive Program in respect of the year ended 30 June 2014, and the sale of production inventory and production during the ramp-up phase. Atlantic is currently in discussions with its stakeholders regarding this additional required funding as well as an appropriate longer term capital structure for the business.

Assuming the availability of adequate capital, and the ongoing support of its stakeholders the Company believes these solutions can be implemented within the next 12 months. This separate

project work will not delay the reconstruction of the beneficiation plant in any way or extend the period of business interruption insurance coverage, which is expected to continue in parallel.

### **ASX Suspension**

Following the fire in the beneficiation plant on 4 February 2014, the Company requested a voluntary suspension in the trading of its securities on ASX. Atlantic believes that it is appropriate for the suspension in the trading of the Company's securities to remain in place because of its current discussions with stakeholders regarding the additional required funding and the appropriate longer term capital structure of the business.

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