

# QUARTERLY REPORT

THREE MONTHS ENDED  
30 SEPTEMBER 2014

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its report for the quarter ended 30 September 2014.

## OPERATIONS

### Windimurra Operations

Production of vanadium at Windimurra has been suspended since February following a major fire in the beneficiation plant.

The damage to the beneficiation plant was extensive and further detailed structural engineering demonstrated that the most cost and time effective option for the rebuild of the area was to demolish the existing structure and rebuild the plant from its foundations.

Demolition work in the beneficiation area was completed early in the quarter.

During the quarter, Atlantic's appointed engineering contractor, Lycopodium Minerals, completed the front end engineering and design work for the beneficiation plant rebuild.

With this work completed, Atlantic immediately went to tender for the design and construct contract for the plant rebuild. This truncated tender process was followed by an intense period of review and negotiation with the preferred tenderer to ensure that the tender was technically sound and conformed with the scope required by Atlantic. This culminated in the award of the design and construct EPC contract to Primero Group in early October.

Primero Group has extensive knowledge of the Windimurra project and has previously provided successful construction services to the Company.

Fabrication of critical long lead time items for the beneficiation plant rebuild work, including the magnetic separators, screens and cyclones, progressed during the quarter. Fabrication of these long lead time items is now largely complete and the final inspection and delivery of these critical items to Windimurra has begun, with the balance of these items scheduled for delivery in the current quarter in line with the schedule for the design and construction of the plant.



First tranche of magnetic separators being unloaded at Windimurra



Final inspection of Derrick screens in the manufacturing plant in the USA

Atlantic expects delivery of the long lead time items and the rapid deployment of Primero Group into the design and construct contract will facilitate the completion of the reconstruction of the beneficiation plant in an industry leading time frame of just over one year from the date of the fire.

The detailed design and construction work is now well underway.

**Insurance**

The Company holds comprehensive industrial special risks insurance that covers both the material damage to the beneficiation plant and the resulting business interruption.

The Company's insurers have granted indemnity for the fire and Atlantic received a further progress payment of \$14.25 million in September, bringing the total progress payments received under its material damage and business interruption insurance policy to date to \$50 million.

### **Business Review**

As previously announced, the Company has been conducting a thorough review of its business, encompassing a review of the mine plan, the crushing, milling and beneficiation (**CMB**) circuit and the refinery. This review was based on the Company's commissioning and operating experience over the last two years, with particular emphasis on the CMB circuit.

During the period, the Company completed the business review, which incorporated independent reviews of the CMB circuit and the downstream refinery.

The primary production bottleneck identified in the reviews relates to the inability of the crushing and milling circuits in the CMB 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, the 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 (**SAG**) mill.

SAG mill technology is used throughout the world to grind a wide variety of ore bodies and was used successfully by the previous operator of the Windimurra project before being removed and replaced with the secondary and tertiary crushers and HPGR.

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

The business review has demonstrated that, following implementation of this new process flow sheet and the rebuild of the fire damaged beneficiation plant, the Windimurra project is expected to produce approximately 4,800 – 5,200 tonnes per annum of contained vanadium at steady state.

As part of this review, the Company has also developed a plan to right-size the business to take into account these steady state production levels.

Notwithstanding that the expected steady state production levels are lower than was previously envisaged for the Windimurra project, the business review demonstrates a long-term sustainable future for the business.

### **Discussions with Stakeholders**

To fund the proposed capital expenditure and working capital to implement the proposed process improvements identified as part of the business review, the Company will require additional funding. Atlantic is currently in discussions with its stakeholders regarding this additional funding as well as an appropriate longer term capital structure for the business.

### **Safety**

The Company is pleased to report that there were no lost time injuries during the quarter.

### **Production**

Due to the fire in early February, there was no vanadium production in the quarter. Sales of ferrovanadium in inventory from production prior to the fire continued during the period.

Production and sales for the quarter are summarised in the table below.

	3 months to 30 June 2014 (tonnes contained V)	3 months to 30 September 2014 (tonnes contained V)
Vanadium production	0	0
Vanadium sales	122	21

### Iron Ore

During the quarter, the Company continued to attract strong interest in its niche market high titanium furnace protection iron ore products. Due to the current low market prices for iron ore products generally, the Company chose to make no iron ore sales during the quarter, other than a trial shipment of 10,500 tonnes of its high titanium lump product that was already held in the Company's storage shed at Geraldton Port. This sale was completed on a Free on Board Geraldton basis.

### Industry Pricing Benchmarks

During the quarter, vanadium prices edged slightly lower in North America and Europe as set out below.

	1 July 2014 (per kilogram contained V)	30 September 2014 (per kilogram contained V)
Mid-point Ryan's Notes price for vanadium in the North American market	US\$29.10	US\$28.51
Mid-point London Metal Bulletin price for vanadium in the European market	US\$25.68	US\$25.15

### Exploration and Resource Development

The Company undertook no significant exploration activities during the quarter.

## CORPORATE

### Forbearance

During the quarter, Atlantic's wholly-owned subsidiary Midwest Vanadium Pty Ltd (**MVPL**) entered into a new forbearance and support agreement with a majority of the holders of MVPL's senior secured notes to extend the existing standstill arrangements that ended on 15 August 2014 until 14 November 2014.

In conjunction with this forbearance agreement, MVPL also agreed related amendments to the existing \$29.7 million secured loan facility agreement with Atlantic's largest shareholder, Droxford International Limited (**Droxford**), to extend the maturity date of that facility until 14 November 2014.

Under the forbearance agreement, the senior secured note holders have agreed to continue the existing standstill arrangements in relation to MVPL's failure to deposit funds in its interest reserve account and pay the February interest payment on its senior secured notes and extend the standstill arrangements to include the failure to pay the interest payment on MVPL's senior secured notes due 15 August 2014 until 14 November 2014.

The forbearance is subject to, among other things, there being no further events of default under MVPL's indenture or the Droxford facility during the term of the forbearance agreement.

After signing the forbearance agreement, MVPL conducted a consent process to implement certain technical indenture amendments agreed as part of the forbearance agreement. This consent process was successfully concluded shortly after period end.

Under the forbearance agreement, the note holders also agreed with MVPL to use their good faith efforts to negotiate and execute a definitive agreement between MVPL and the supporting note holders to effect a solvent restructuring of MVPL during the forbearance period.

These arrangements provide further time for the Company to continue discussions with its stakeholders regarding the additional funding required to implement the Company's new business plan, as well as an appropriate longer term capital structure for the business.

### **Registered Office**

Effective from 6 October 2014, Atlantic changed its registered office to:

Level 11  
Brookfield Place  
125 St Georges Terrace  
Perth WA 6000

### **ASX Suspension**

Following the fire in the beneficiation plant on 4 February, the Company requested a voluntary suspension in the trading of its securities. Atlantic believes that it is appropriate for the suspension in the trading of the Company's securities to remain in place given that the Company is in discussions regarding a longer term restructure of the business.

### **CASH FLOW STATEMENT**

The Appendix 5B cash flow statement for the quarter ended 30 September 2014 will be released separately.

# BUILDING A WORLD CLASS VANADIUM PROJECT

## ATLANTIC LTD

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## ASX CODE

ATI (ordinary shares)

## DIRECTORS

Gary Lewis

*(Chairman)*

Phiong Phillipus Darna

*(Non-Executive Director)*

Brad Ellis

*(Non-Executive Director)*

Mike Daniel

*(Non-Executive Director)*

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## ABOUT ATLANTIC LTD

Atlantic subsidiary Midwest Vanadium Pty Ltd owns 100% of the Windimurra vanadium and iron ore operation, located approximately 600 kilometres north of Perth in Western Australia.

Windimurra hosts one of the largest proven vanadium reserves in the world.

Additional information on Atlantic can be found at  
[www.atlanticltd.com.au](http://www.atlanticltd.com.au)