

3 February 2016

ATLANTIC PROPOSES TO ACQUIRE WINDIMURRA VANADIUM PROJECT

Atlantic Ltd (ASX: ATI) (**Atlantic**) is pleased to announce that it has made a proposal (**Proposal**) to acquire the Windimurra vanadium and iron ore project (**Project**) with the support of its major shareholder and creditor Droxford International Limited (**Droxford**).

The Proposal involves (among other things) the entry into a deed of company arrangement (**DOCA**) with the Administrators and Receivers and Managers of Midwest Vanadium Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) (**MVPL**) and Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) (**AVHPL**) (the **Receivers**) and an agreement (**Sale Agreement**) under which a newly incorporated 100% wholly-owned subsidiary of Atlantic (**Purchaser**) will acquire the Project (**Transaction**).

In exchange for the transfer of the Project, the Purchaser will pay \$250,000 to be distributed to the Administrators and unsecured creditors in accordance with the terms of the DOCA.

To secure the Proposal, the Purchaser will pay a \$1 million deposit to the Receivers, which will be refunded upon completion of the Transaction.

Subject to certain conditions being satisfied and completion of the Transaction occurring, under the Proposal:

- the Purchaser will acquire the assets of the Project, including its mining and miscellaneous tenements, existing plant and equipment and certain inventory;
- the Purchaser may receive a proportion of any future MVPL income tax refunds to offset any further reimbursement required to be made by MVPL to Atlantic on account of past business interruption insurance proceeds allocated to Atlantic but deposited with MVPL;
- MVPL will retain certain specified excluded assets including existing cash, future insurance claim proceeds, a proportion of income tax refunds and finished vanadium inventory (**Excluded Assets**);
- the senior secured noteholders will release their security over the assets of MVPL and AVHPL other than in respect of the Excluded Assets;
- any claims of the senior secured noteholders against MVPL and AVHPL outside of the Transaction will be limited in recourse to the Excluded Assets;
- Droxford will waive its entitlement to any priority part repayment of its A\$29.7 million secured loan facility agreement with MVPL, not participate in any secured lender distribution and release its security over the assets of MVPL;

- the Receivers will meet all outstanding employee claims; and
- all creditor claims against MVPL and AVHPL (other than those due to Atlantic and Droxford and in respect of the secured noteholders recourse to the Excluded Assets) will be extinguished.

The Transaction is subject to a number of conditions precedent including FIRB approval, consents required to transfer the mine properties and related approvals, AVHPL and MVPL creditor approval and the senior secured noteholders consenting to the release of their security save as to the Excluded Assets.

Atlantic notes that in excess of \$560 million has been invested in the Windimurra project mine and plant and equipment to date, however vanadium prices are currently trading at levels that will not support the redevelopment of the Project at this time.

Notwithstanding the current vanadium market environment, and with the full support of its largest shareholder and creditor Droxford, Atlantic intends to institute a structured care and maintenance plan for the Windimurra project with a view to redeveloping the Project when market conditions allow.

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