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ATLANTIC AND MRL FINALISE AGREEMENT TO ACQUIRE AND COMMISSION THE WINDIMURRA VANADIUM PROJECT

Highlights

- Atlantic and MRL form consortium to acquire and commission the world scale Windimurra Vanadium project
- Atlantic to acquire 62.5% interest, MRL 27.5% and existing lenders 10% in the project
- Consortium reaches agreement with existing secured project creditors
- Atlantic to procure new secured debt for the project estimated to be in the region of \$90-100 million
- MRL to complete the construction of the vanadium refinery following completion of the transaction

Atlantic Ltd (ASX: ATI, **Atlantic**) is pleased to announce that it has reached agreement with Mineral Resources Limited (ASX: MIN, **MRL**) to work together to acquire and commission the world class Windimurra Vanadium project (**Project**) in Western Australia.

The agreement positions Atlantic to advance its second major project alongside its flagship integrated aluminium supply chain project in Vietnam.

Subject to completion, the transaction will give Atlantic a majority share in a major resources project that, once operational at nameplate capacity, will produce approximately 7% of world vanadium supply in times of increasing prices for steel making commodities.

Underpinning the transaction is the agreement that Atlantic and MRL have reached with the secured lenders to Midwest Vanadium Pty Ltd (MVPL), the company that holds 100% of the Project, whereby, subject to completion, MRL and Atlantic will acquire a 90% equity interest in MVPL in return for procuring new project finance in the order of \$90-100 million to complete construction and commissioning of the Project.

Following completion of the transaction, Atlantic will hold 62.5% of MVPL, MRL will hold a limited free carried 27.5% shareholding in MVPL and the secured lenders will be granted a 10% interest.

Atlantic Chief Executive Officer Michael Minosora said Windimurra represented an outstanding opportunity for Atlantic and its shareholders.

“While this will be a challenging project, by carefully managing the capital structure and operating costs, it also presents Atlantic with a great opportunity for success,” said Mr Minosora.

“We are pleased with the arrangements we have been able to negotiate and have every confidence in the Project and the returns it can generate for shareholders as well as the employment opportunities it will generate for the Mt Magnet region.”

Mr Minosora said the Windimurra project gave Atlantic a majority equity stake in a specialist metal producer with world market significance and exposure to potential commodity price upside.

“The transaction is wholly consistent with Atlantic’s strategy of building a portfolio of large scale projects that will provide superior returns to shareholders,” he said.

“Atlantic applies a highly disciplined, innovative approach to acquisitions and maintains a strong focus on resources projects that are low cost, long life and near production, and we believe the Windimurra project represents such an opportunity.”

“The Windimurra transaction is consistent with this strategy and is complementary to Atlantic’s Memorandum of Understanding with Vietnamese state-owned enterprise T-MV to develop a major integrated aluminium supply chain project in Vietnam.”

“We look forward to working with the highly credentialed MRL group to build the Project into a best-in-class operation.”

Windimurra Vanadium Project

The Project is located 600km north-east of Perth, Western Australia near Mt Magnet.

The Project is owned 100% by MVPL and the plant and mine is at an advanced stage of construction (estimated to be 85% complete).

The Project hosts one of the world’s largest known vanadium deposits. The current owner of the Project has previously stated that the current JORC-compliant reserve at Windimurra is 97.8 million tonnes at 0.47% V₂O₅.

The Project site is close to existing infrastructure and will be serviced by the Midwest gas pipeline and existing on-site power generators.

Project Parameters

As part of the preparation for commissioning of the Project, Atlantic and MRL have developed a detailed financial model of the Project.

This model shows the robust economics of the Project based on detailed cost assumptions developed by the consortium. The estimates in the model are subject to finalisation of negotiations with key suppliers and dialogue with the State Government on stamp duty and production royalties.

Deal Terms

The overall transaction has two elements:

1. The MRL and Atlantic consortium has reached agreement with the Receiver and Manager of Midwest Vanadium Pty Ltd (MVPL), the company that holds 100% of the Project, whereby MRL and Atlantic will ultimately acquire a 90% equity interest in MVPL in return for procuring new project finance to commission the Project, arrange for completion of construction and commissioning of the plant and establish an effective management and operating structure.
2. In addition, MRL and Atlantic have reached agreement whereby Atlantic will hold 62.5% of MVPL and MRL will hold 27.5% of MVPL following completion.

As part of the overall transaction, the consortium will acquire part of the existing MVPL debt for a nominal sum and the existing secured lenders to MVPL will hold \$90 million of secured debt following financial close.

Of this debt, an amount equal to the cash balance of MVPL at completion will be first ranking secured debt and the balance will be second ranking secured debt. This debt will be interest free and have a term of 48 months from completion.

Atlantic will also procure new non-recourse project finance for MVPL in the order of \$90-100 million to provide the necessary funding to complete commissioning and working capital throughout ramp up.

This new debt will be equal first ranking secured debt of MVPL.

Under the agreement, MRL will continue to operate the crushing and processing plants already on site at Windimurra under the existing 'Build Own and Operate' contract entered into with MVPL and will also enter into a lump sum contract with MVPL to complete construction of the plant.

Timetable

Atlantic and MRL will now work towards completing the necessary documentation with the Receiver and Manager of MVPL and procuring the necessary finance facilities.

Completion of the transaction is expected on or before 30 June 2010. The transaction is subject to a number of conditions precedent, including the approval of shareholders of Atlantic.

The Project is expected to be in production in early 2011.

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About Atlantic

Atlantic is committed to building a diversified portfolio of world class resources assets that will provide superior returns to shareholders.

Atlantic seeks to bring fresh thinking to the identification, acquisition and development of low cost, long life and near production resource assets and applies a highly disciplined, innovative and opportunistic approach.