



## QUARTERLY REPORT & JANUARY PRODUCTION & SALES REPORT

THREE MONTHS TO  
31 DECEMBER 2013

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its report for the quarter ended 31 December 2013 and January 2014 monthly production and sales update.

### KEY POINTS

- Expansion into vanadium value added products
- December quarter record vanadium production
- Revised cash flow breakeven production estimates
- January 2014 production impacted by extended planned maintenance shutdown

### CHANGE IN VANADIUM PRODUCTS MIX

#### Move into Vanadium Value Added Products

Shortly after the end of the quarter, the Company announced that it would commence exports of vanadium trioxide ( $V_2O_3$ ).

The export of  $V_2O_3$  will enable the Company to produce vanadium carbonitride (**VCN**) through specialist converter companies located in China. The Company expects that this broadening of its production will commence immediately driven by the higher returns attributable to the VCN market. The cost of converting  $V_2O_3$  to VCN is estimated to be less than the cost of converting  $V_2O_3$  to FeV.

The Company currently produces  $V_2O_3$  as an intermediary product and then converts it into FeV in an electric arc furnace. The preparations made by the Company also pave the way for it to sell  $V_2O_3$  into premium priced markets such as the titanium alloy market, the vanadium chemical market and the vanadium redox flow battery market.

The production of  $V_2O_3$  does not require the operation of the FeV furnace and related infrastructure. It therefore is produced at a lower cost per unit of vanadium (and avoids the FeV crushing equipment issues which limited shipments to Perth recently). No major capital expenditure is required by the Company to produce VCN.

31 January 2014

## Revised Cash Flow Breakeven Production Estimates

The decision to produce VCN along with ongoing cost reviews has resulted in a revision of the estimated cash flow breakeven production targets.

The estimated operational cash flow breakeven production level is 225 – 250 tonnes per month (**tpm**) V (previously 275 – 325 tpm V).

The estimated breakeven production level after finance is 325 – 350 tpm V (previously 350 – 400 tpm V).

## OPERATION UPDATE

### Safety

The Company maintained an excellent safety record during the quarter.

### Operations

Windimurra achieved record ferrovanadium (**FeV**) production of 298 tonnes of contained vanadium (**V**) in the December quarter (cf 92 tonnes in September quarter), with each month of the quarter exceeding the production of the previous month.

The focus during this successful quarter was on fine-tuning plant and equipment and improving procedures and practices.

The improving trend line of production throughout the financial year to date is depicted in the chart on the next page.

As previously advised in the Production and Sales Report for the month of December, significant maintenance shutdowns were planned for January 2014. These maintenance shutdowns were focussed on the crushing, milling and beneficiation area, the roasting kiln and refinery area.

The maintenance shutdown work on the roasting kiln was completed, although it took substantially longer than planned due to the identification of further works during the course of the shutdown and a major rain event. The maintenance shutdown of the refinery area was in line with plan. By the end of January, the roasting kiln was back in production and vanadium inventories were moving through the plant.

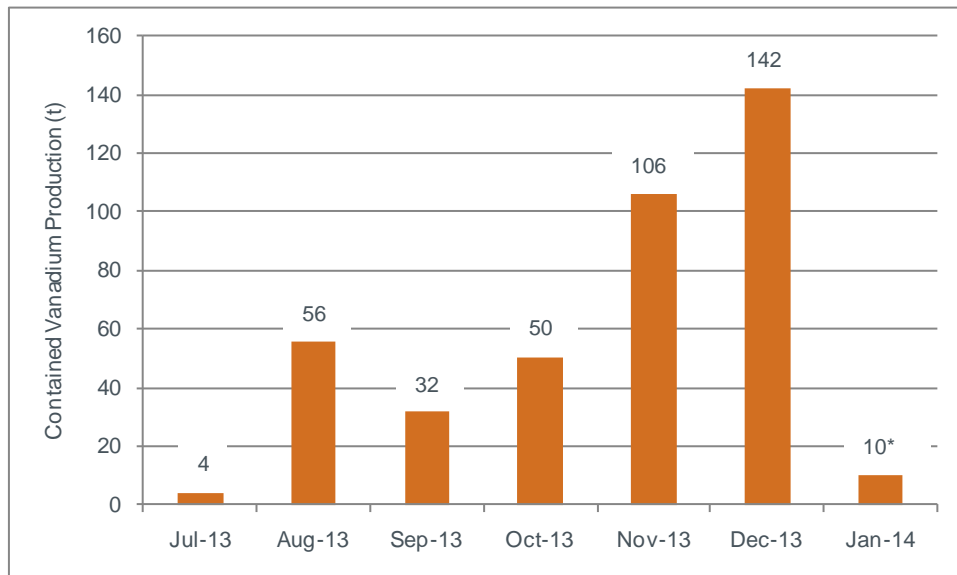
The extended shutdown of the roasting kiln deprived the refinery of feed stock. As a result, production was limited to ten tonnes of contained vanadium during January.

A planned January shutdown of the crushing, milling and beneficiation (**CMB**) plant was postponed until February 2014, due to the rain event. Inventory of magnetite concentrate was built up in January so that the roasting kiln and refinery will have feed stock to keep running when the CMB plant is shut down for those maintenance works.

### Rain Event

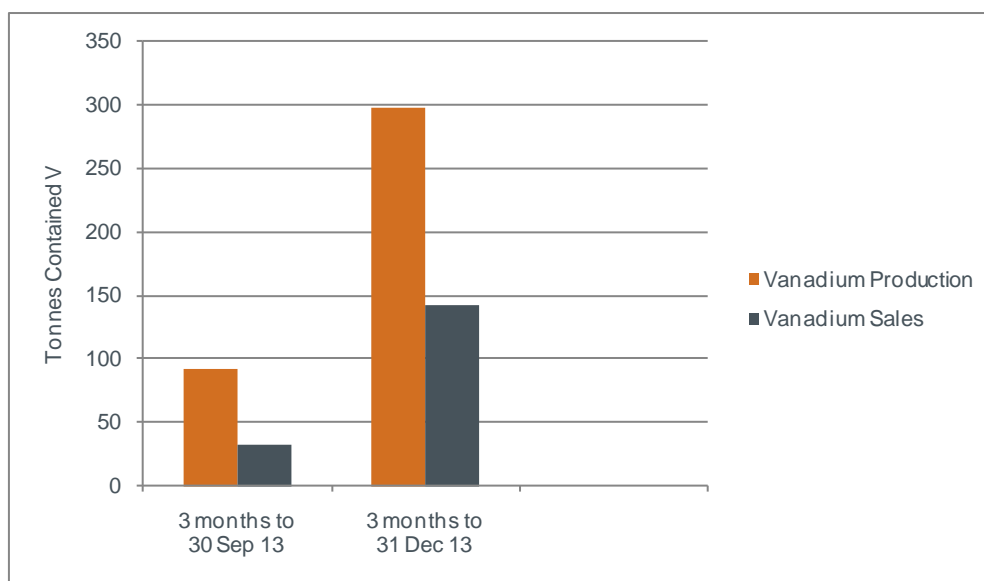
In late January 2014, the Windimurra operation was adversely affected by a major rain event. The access road to the operation was flooded and closed. The planned maintenance shutdown was delayed by the influx of water and mud and accessibility issues. Mining was suspended for a period and the crusher circuit sustained some damage. The screening and crushing of high titanium iron ore lump was suspended and the associated trucking campaign needed to be suspended for more than a week. By the end of January, almost all of these issues had been rectified and normal operations resumed.

## FeV Production



\* Impacted by extended planned maintenance shutdown.

	3 months to 30 September 2013 (tonnes contained V)	3 months to 31 December 2013 (tonnes contained V)
Vanadium production	92	298
Vanadium sales	32	142



## Vanadium Sales

Major FeV crushing equipment issues limited shipments to the Perth warehouse during the quarter and limited sales for the quarter to 142 tonnes of V. As at the end of the quarter, FeV ingots containing 200 tonnes of V were in inventory at the mine site, awaiting crushing and transport to Perth.

As noted above, with the expansion into vanadium value added products including VCN, the historic issues with crushing of FeV will not be relevant. It is noted that towards the end of December a revised smelting approach was adopted which has made the crushing of FeV a much easier operation.

During the quarter the terms of the Company's off take agreement for the sale of 100% of FeV were amended to increase the prepayment received by the Company from 80% to 85% of the market value of its FeV on delivery to the Perth warehouse.

## Iron Ore

Hematite iron ore is produced at Windimurra as a by-product of the Company's ferrovandium production. As well, Windimurra also produces, directly from the mine pit, a high titanium iron ore. This is a mix of high titanium lump product and a high titanium fines product.

During the quarter, the Company shipped two cargoes of hematite iron ore fines by-product from Geraldton to China, each of approximately 30,000 tonnes. These shipments had an iron content of over 50% and low impurities of phosphorus, sulphur, alumina and silica. Regulatory approvals were required for continuous shipments after the Company completed its first four trial shipments of hematite iron ore fines. Those regulatory approvals were received during the quarter. No shipments were scheduled for November, because of the regulatory process.

The Company has entered into its first contract for the sale of high titanium iron ore lump product. Crushing, screening and trucking of this direct shipping ore (DSO) product to Geraldton Port has commenced. The price achieved for this product is at a premium to the Company's hematite iron ore fines. There is strong buyer interest in this product.

Prices for the Company's hematite iron ore fines by-product have continued to firm with product acceptance.

	3 months to 30 September 2013 (tonnes)	3 months to 31 December 2013 (tonnes)
Iron ore export sales	88,437	63,321*

\* Two shipments in the quarter.

## Vanadium Industry Pricing Benchmarks

	30 September 2013 (per kilogram contained V)	31 December 2013 (per kilogram contained V)
Mid-point Ryan's Notes price for vanadium in the North American market	US\$ 28.08	US\$ 27.43
Mid-point London Metal Bulletin price for vanadium in the European market	US\$ 26.05	US\$ 25.50



## Exploration and Resource Development

The Company undertook no exploration activities during the quarter.

## CORPORATE ACTIVITY

1. During the quarter, the Company received from the Australian Taxation Office a A\$27.2 million reimbursement under the Research and Development Tax Incentive Program in respect of the year ended 2013.
2. In the period between 10 October and 2 December 2013, the Company raised A\$20 million in unsecured loan facilities from its major shareholder, Droxford International Limited.
3. Agreement was reached during the quarter with the holders of a majority of Midwest Vanadium Pty Ltd's (MVPL) senior secured notes to reduce the minimum holding requirement in the interest reserve account (IRA) to nil until 3 February 2014. MVPL is required to deposit US\$5 million into the IRA on 3 February 2014. However, MVPL does not intend to replenish these funds. This will be a technical breach of the senior secured notes indenture which MVPL has 10 business days to rectify.
4. During the quarter, Mr Tony Veitch resigned as a Director (but remains a key senior executive of the Company) and Mr Brad Ellis was appointed to the Board. Dr Mike Daniel was appointed to the Board in January.

## CASH FLOW STATEMENT

The Appendix 5B cash flow statement for the quarter ended 31 December 2013 will be released separately.



Photographs from the January 2014 rain event which caused disruption to the Windimurra operation



# BUILDING A WORLD CLASS RESOURCES GROUP

## ATLANTIC LTD

Level 29  
108 St Georges Terrace  
Perth WA 6000

Tel: +61 8 6141 7100

Fax: +61 8 6141 7101

## ASX CODE

ATI (ordinary shares)

## DIRECTORS

Michael Minosora

*(Chairman and  
Managing Director)*

Phiong Phillipus Darna

*(Non-Executive Director)*

Brad Ellis

*(Non-Executive Director)*

Mike Daniel

*(Non-Executive Director)*

## FOR FURTHER INFORMATION PLEASE CONTACT:

Michael Minosora

*Chairman and Managing Director, Atlantic Ltd*

Tel: +61 8 6141 7100

Terry Bourke

*General Counsel, Atlantic Ltd*

Tel: +61 8 6141 7100

## ABOUT ATLANTIC LTD

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

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. The Windimurra processing plant is in production, producing ferrovandium and iron ore.

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