



PRODUCTION & SALES REPORT

MONTH OF FEBRUARY 2014

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its production and sales report for the month of February 2014 relating to its wholly-owned subsidiary Midwest Vanadium Pty Ltd (**MVPL**).

Windimurra Beneficiation Plant Fire

On 4 February 2014 there was a substantial fire in the beneficiation plant at Windimurra. There were no injuries as a result of the fire. The beneficiation plant was not operating at the time of the fire as it was undergoing planned maintenance works.

Investigations indicate that the fire started inside the hopper of screen 3 within the beneficiation plant when hot metal from an oxy-acetylene cutting process or the hot ends of cut bolts came into contact with the lining of the screen or a rubber skirt. From this source flames moved through the beneficiation plant by direct impact or by radiant heat to combustible materials.

The damage to the beneficiation plant was extensive and further detailed structural engineering was required immediately after the fire to ensure safe access for the investigation to proceed.

Production of vanadium has been suspended since the date of the fire.

The Company has stood down contractors involved in mining, reagent deliveries and vanadium production activities. Since month end, the Company has also made approximately 90 employees redundant in view of the anticipated time before the rebuild of the beneficiation plant will be complete and normal production can resume.

Insurance

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

The Company's insurers have granted indemnity for the fire, and shortly after month end, Atlantic was advised by its insurers that the first of a series of progress payments under its insurance policy would be paid. Atlantic has now received the majority of this first progress payment of \$16.7 million.

Beneficiation Plant Rebuild

Immediately after the fire, the Company appointed a project team comprising staff from the Company's engineering team and external engineering advisors to manage the beneficiation plant rebuild.

The project team is now finalising the beneficiation plant rebuild scoping study, with a key deliverable of reviewing the rebuild options and providing a schedule, cost to execute, conceptual drawings and risk classification for each option.

Plant Technical Review

During February, independent experts SRK completed a review of the Windimurra plant. Based on the operating experience of the plant in recent months, this review identified a number of bottlenecks in the plant that had limited vanadium production to date and that are required to be addressed to enable the plant to reach nameplate capacity.

As a result of SRK's findings, in addition to the beneficiation plant rebuild project, the Company has also established a project team comprising staff from the Company's engineering and technical teams and separate external engineering advisors to complete a technical review of all other components of the Windimurra plant.

The team is scoped with analysing the issues to be addressed and identifying the options for rectification of those issues, with any necessary plant redesign and construction to be implemented in parallel with the beneficiation plant rebuild project.

This separate project will not delay the rebuild of the beneficiation plant.

This project work is important to ensure the plant is capable of meeting production levels that provide a long-term sustainable basis for the business going forward.

Production and Sales

Production and sales for the month of February are summarised in the table below.

	January 2014 (tonnes contained V)	February 2014 (tonnes contained V)
Vanadium production	10	0
Vanadium sales	43	24

Note - this table refers to contained vanadium within the ferrovandium produced/sold by MVPL.

There was no vanadium production in February due to the planned shut down in the first few days of the month and the fire in the beneficiation plant on 4 February that led to the cessation of vanadium production activities from that date.

The Company has 27,851 tonnes of magnetite concentrate in inventory that can be processed through the kiln and vanadium refinery in the future. The Company intends to process this material during the beneficiation plant rebuild period once a refractory reline of part of the kiln is complete.

Sales of vanadium in inventory from production prior to the fire continued during February.

Iron Ore

During February, the Company ceased crushing, screening and haulage of its DSO high titanium iron ore lump product from Windimurra due to the unexpectedly low lump to fines ratio achieved.

At the time of cessation of crushing, screening and haulage of the DSO high titanium iron ore lump, Atlantic held approximately 10,000 tonnes of lump in its storage warehouse at Geraldton Port. The Company is

currently in discussions with the customer for the shipment to agree an appropriate restructure of the sales contract.

During the month, iron ore prices continued to trend lower and, as a result, Atlantic has ceased all iron ore related activities as it assesses the market conditions for its products.

	January 2014 (tonnes)	February 2014 (tonnes)
Iron ore export sales	0	0

Funding

Under its senior secured notes indenture, MVPL was required to deposit US\$5 million into its interest reserve account (**IRA**) on 3 February 2014 and pay the half yearly interest payment on its senior secured notes on 15 February 2014.

MVPL has not made the IRA deposit or the interest payment.

On 10 March, Atlantic announced that MVPL had signed a new funding facility of \$29.7 million with Atlantic's largest shareholder Droxford International Limited (**Droxford**).

This new funding facility will be secured *pari passu* with MVPL's senior secured notes, subject to certain technical indenture and related document amendments.

In particular, among other conditions precedent, draw down of the facility is subject to a consent solicitation process among MVPL's senior secured notes to implement the proposed indenture and related document amendments.

The consent process is expected to be completed by the end of March.

In addition to the new funding facility, Atlantic also announced that MVPL had agreed a standstill arrangement – providing forbearance and support – with a majority of the holders of its senior secured notes (**Notes Group**).

Under the standstill arrangement, the Notes Group has agreed to forbear MVPL's default for failure to deposit US\$5 million in the IRA and MVPL's failure to pay the February interest payment on its senior secured notes.

The forbearance applies until 15 August 2014 and is subject to there being no further events of default under MVPL's indenture or the new funding facility outlined above during the term of the forbearance agreement.

The Notes Group has also agreed to vote in favour of technical indenture and related document amendments to allow the new \$29.7 million secured funding facility to be provided by Droxford as contemplated above.

Under the forbearance and support agreement, each holder in the Notes Group also agrees with MVPL to use their good faith efforts to negotiate and execute a definitive agreement among MVPL and the supporting note holders to affect a restructuring during the forbearance period.

Together, the Droxford funding facility and the forbearance and support agreement provide:

- a sound funding basis to take the Windimurra project forward during the rebuild of the beneficiation plant; and
- flexibility to negotiate a longer term restructure of the Company.

The Company expects that the technical review of the plant now underway will enable the Company to develop a new strategic business plan for the Windimurra project which will form the basis of the negotiations of the longer term restructure of the Company.

Board and Management Changes

Subsequent to the end of the month, Atlantic announced that Mr Michael Minosora had resigned as Chairman and Managing Director of Atlantic and Mr Gary Lewis had been appointed Non-Executive Chairman of Atlantic.

The Company also announced that Mr Daniel Harris, the Chief Operating Officer of Atlantic since October 2012, had been appointed Chief Executive Officer to lead the Windimurra beneficiation plant rebuild and evolution of Atlantic's management team.

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 until the Company is in a position to make a more detailed announcement of the impact of the fire and the indenture defaults on the Company, particularly given that MVPL and the Notes Group are entering into negotiations for the longer term restructure of the Company during the standstill period.

BUILDING A WORLD CLASS RESOURCES GROUP

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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