



PRODUCTION & SALES REPORT

MONTH OF AUGUST 2014

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

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 commenced in late April and was completed in early July.

During August, Atlantic's appointed engineering contractor completed the front end engineering and design work for the beneficiation plant rebuild project. A tender process for the rebuild design and construct contract was immediately conducted after this work was completed, with tenders closing on 10 September 2014. Atlantic is currently reviewing tenders and expects to award the design and construct contract shortly, with construction set to commence in early October.

During the month, Atlantic continued with the fabrication and early delivery of critical long lead time items for the beneficiation plant rebuild work. Shortly after month end, the first consignment of magnetic separators for the beneficiation plant left the manufacturer's warehouse for Windimurra following their inspection. In addition, the Company was successful in reducing the delivery schedule for the de-watering cyclones.

Insurance

The Company holds comprehensive industrial special risks insurance that covers both the material damage to the beneficiation plant as a result of the fire and the related business interruption.

The Company's insurers have granted indemnity for the fire and Atlantic was advised that a further progress payment from the insurers of \$14.25 million would be made. This progress payment has now been received from insurers, bringing the total insurance proceeds received to date to \$50 million.

Production and Sales

There was no production of vanadium in August. Sales of ferrovanadium in inventory from production prior to the fire continued during August and are summarised in the table below.

| | July 2014 (tonnes contained V) | August 2014 (tonnes contained V) |
|---------------------|-----------------------------------|-------------------------------------|
| Vanadium production | 0 | 0 |
| Vanadium sales | 0 | 21 |

Note - this table refers to contained vanadium within the ferrovanadium produced and sold by MVPL

Iron Ore

During the month, the Company continued discussions with prospective customers for its iron ore products, with particular emphasis on niche market opportunities for MVPL's high titanium furnace protection iron ore lump product.

Notwithstanding the current low market prices for iron ore products, MVPL was recently able to secure a FOB sales contract for the existing 10,500 tonnes of high titanium lump product in inventory at the Geraldton port warehouse. This product is expected to be exported in September.

Plant Technical Review

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

The business review demonstrated that following implementation of new process plant flow sheet changes 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.

To fund the proposed capital expenditure and working capital to implement the proposed process improvements, the Company will require additional funding. The Company is seeking such funding from a number of sources, including its existing stakeholders, expected reimbursement payments from the Australian Taxation Office (**ATO**) under the Research & Development Tax Incentive Program in respect of the year ended 30 June 2014 and sales of vanadium inventory and production during the ramp-up phase.

Atlantic is currently in discussions with its stakeholders regarding this additional required funding as well as an appropriate longer term capital structure for the business.

This separate project work will not delay the reconstruction of the beneficiation plant in any way or extend the period of business interruption insurance coverage.

Extension of Forbearance

In August, the Company announced that its wholly-owned subsidiary MVPL had 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 to 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.

MVPL has now commenced a related consent process to implement certain technical indenture amendments agreed as part of the forbearance agreement. This consent process is expected to conclude in late September 2014.

Under the forbearance agreement, the note holders also agreed 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 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.

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 based on the business review findings outlined above.

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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