

PRODUCTION & SALES REPORT

MONTH OF OCTOBER 2014

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its production and sales report for the month of October 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 and the front end engineering and design work for the beneficiation plant rebuild have been completed.

In early October, Atlantic awarded the design and construct EPC contract for the plant rebuild to Primero Group. Primero Group has extensive knowledge of the Windimurra project and has previously provided successful construction services to the Company.

Primero has now mobilised to site, established its construction infrastructure at Windimurra and commenced foundation works. In parallel with this site based work, the detailed final design work is continuing in Perth.



Early stage foundation work

Fabrication of steel and plate work for the rebuild is underway at local workshops in and around Perth. This fabrication work has been sub-contracted to a number of specialist fabricators to expedite the work and facilitate the rebuild in the shortest possible time frame.

Orders for other critical components such as pumps and valves have now been placed, and long lead time items ordered early in the schedule continue to be delivered as expected.

Atlantic expects that reconstruction of the beneficiation plant will be completed in an industry leading time frame of just over one year from the date of the fire.

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 late in October, Atlantic was advised that a further progress payment from the insurers of \$13 million would be made. This progress payment has now been received, bringing the total insurance proceeds received to date to \$63 million.

Production and Sales

There was no production or sales of vanadium in October.

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.

Due to the current low market prices for iron ore products, the Company chose to make no iron ore sales during the month.

Business 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.

As part of this review, the Company has also developed a plan to right-size the business to take into account these steady state production levels.

Notwithstanding that the expected steady state production levels are lower than was previously envisaged for the Windimurra project, the business review demonstrates a long-term sustainable future for the business.

Discussions with Stakeholders

To fund the proposed capital expenditure and working capital to implement the proposed process improvements identified as part of the business review, the Company will require additional funding. Atlantic is currently in discussions with its stakeholders regarding this additional funding as well as an appropriate longer term capital structure for the business.

Extension of Forbearance

The Company and its wholly-owned subsidiary MVPL has now entered into a new forbearance and support agreement with the holders of a majority of MVPL's senior secured notes to extend the existing standstill arrangements that ended on 14 November 2014 until 15 December 2014.

In conjunction with this new 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 15 December 2014.

Under the forbearance agreement, the senior secured note holders have agreed to continue the existing standstill arrangements in relation to certain events of default which have occurred under MVPL's indenture, including MVPL's failure to deposit funds in its interest reserve account and pay the February and August interest payments on its senior secured notes until 15 December 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.

Under the forbearance agreement, the note holders have also agreed with MVPL to continue 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.

These arrangements provide further time for the Company to continue discussions with its stakeholders regarding approval for the additional funding required to implement the Company's new business plan as well as an appropriate longer term capital structure for the business.

MVPL will shortly commence a related consent process to implement technical indenture amendments agreed as part of the new forbearance agreement, including amendments that will allow the Company to incur up to an additional \$10 million in permitted indebtedness if a restructuring agreement is executed among MVPL and the supporting note holders. This consent process is expected to conclude in December.

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 of the business.

BUILDING A WORLD CLASS VANADIUM PROJECT

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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