

# QUARTERLY REPORT

DECEMBER 2012

Atlantic Ltd (ASX: ATI) (**Atlantic** or the **Company**) is pleased to present its report for the quarter ended 31 December 2012.

## HIGHLIGHTS

- Continued progress on resolution of operational issues associated with the Windimurra CMB circuit
- Final A\$20 million of A\$50 million convertible bond facility received
- Consent obtained from majority of MVPL's senior secured note holders to access US\$9.9 million from reserve accounts
- A\$22 million research and development tax claim received
- Chief Operating Officer appointed
- Legal action relating to Windimurra CMB circuit being investigated

## WINDIMURRA PROJECT UPDATE

### Windimurra Operations Update

During the December quarter, the Company continued work to facilitate the ramp-up of its wholly-owned Windimurra vanadium project (**Windimurra**) with a focus on the front end of the plant.

A decision was made in October to revise the previous incremental ramp-up strategy to a 'nameplate capacity' ramp-up approach whereby each circuit of the plant is successfully run at, or close to, nameplate capacity prior to work then focusing on the next circuit.

The revised ramp-up strategy had the effect of limiting vanadium production in the December quarter but is expected to result in a decisive step change in production when completed and best deliver the Company's goal of achieving nameplate production capacity as quickly and efficiently as possible.

The key reasons for revising the ramp-up strategy were:

- The previous strategy involved operating key components below their design limits which did not enable efficient and optimal operation of the plant.
- The new strategy allows for the focus of key resources on achieving targeted production levels in each progressive circuit rather than resources being spread across the entire plant.

Given a recent rebound in iron ore prices, the Company is again actively engaged in discussions to begin iron ore fines sales in the near term but notes that iron ore prices will need to maintain their current levels for the Company to balance the risks of long term logistics contracts with fluctuating iron ore price contracts.

### **Production and Sales**

The Company produced and sold the following vanadium volume from Windimurra during the quarter.

|                                | <b>December Quarter<br/>(tonnes vanadium units)</b> |
|--------------------------------|---|
| Vanadium billet production     | 18.2  |
| Vanadium sales <sup>*/**</sup> | 34.9  |

\* May include production from the previous quarter held in inventory.

\*\* In accordance with Atlantic's sales and marketing agreement initial payment is received based on 80% of the LMB price following product delivery and testing at the off-taker's warehouse in Perth.

The Company did not produce or sell any vanadium during the month of December.

### **Safety**

The Company continued its excellent safety record during the quarter. Atlantic is committed to maintaining strong safety practices at Windimurra.

## Mining

Mining operations continued to meet the demands of the processing plant during the quarter.

Following a retender of the Windimurra mining contract in the previous quarter, a smooth transition to the new mining contractor B&J Catalano took place in November. This new mining contract will lead to material reductions in mining costs on an annual basis.

## Front End of Plant

### CMB Circuit

Early in the quarter, the secondary and tertiary crushers were rebuilt resulting in approximately one week of lost operating time in the crushing, milling and beneficiation (**CMB**) circuit.

Extensive debottlenecking to the front end of the plant was undertaken during the quarter including:

- Adjustments to the apertures of the screens within the primary, secondary and tertiary crushing circuit which has provided for more efficient utilisation of the tertiary crusher.

This change has led to a reduction in the ore feed size and an improvement in feed quality to the high pressure grinding roll (**HPGR**).

- Debottlenecking of the HPGR unit by reviewing and redesigning a screen and collection bin ahead of the unit.

This change has now enabled continuously higher feed rates to the HPGR and as a result, an improvement in grind performance.

Towards the end of the quarter, a planned shutdown of the CMB circuit was undertaken which resulted in a number of further modifications being made to the repulper fines chute mixing box, repulper tank and pumping system. Re-engineering work was also carried out to the magnetic separators in the beneficiation plant.

As a result of implementing the new ramp-up strategy, campaign running of the CMB circuit has enabled close to nameplate run rates of material through the crushing units, fines screens and HPGR unit during the quarter.



*Recent magnetite concentrate production*

In late December and in early January, the focus moved from the HPGR unit to the beneficiation plant.

The focus in this area includes:

- Optimising control systems to improve the control of the flow of materials from the repulper to the beneficiation plant and replacement of a flow meter.
- Balancing and improving the water flows through the beneficiation plant.
- Final commissioning of the rare earth magnetic separators leading to increased recovery.

The result of this work to date has been particularly positive with a continuation on resolution of operational issues.

### **Back End of Plant**

Preparatory work continued in the back end of the plant ahead of the substantial ramp-up in production expected from the front end of the plant in the current quarter.

#### Roasting and Leaching

The kiln operated for only short periods and at low rates of throughput during the quarter as a result of limited magnetite concentrate production levels.

Modifications continued in the discharge (chute and drag chain) area of the kiln to increase its operating rate to design capacity.

A heat-up of the kiln commenced in early January following higher magnetite concentrate production from the front end of the plant. It is anticipated that the kiln will be run continuously from now on.

#### Refinery

Desilication and precipitation areas of the refinery operated at low levels of throughput due to depleted inventory levels. New agitators were installed and brought into operation in the precipitation area.

A new feeder was successfully installed in the electric arc furnace (**EAF**) in late November and work was undertaken on the main seals of the two reduction kilns and discharge area.

#### Packaging and Dispatch

The FeV crusher underwent guarding upgrades during the period. The FeV rock breaker grizzly was also upgraded.

### **Marketing – Vanadium**

The Company continued to make deliveries of Windimurra ferrovandium from site to the warehouse in Perth in accordance with the terms of Atlantic's sales and marketing agreement with Wengfu (Group) Co Ltd (**Wengfu**) and Element Commodities Ltd (**Element**).





*Windimurra ferrovanadium being loaded on to a truck bound for Perth*

Ferrovanadium pricing remained at robust levels during the quarter.

The mid-point Ryan's Notes price for vanadium in the North American market at the date of this report was US\$30.31 per kilogram of contained vanadium.

The mid-point London Metal Bulletin price for vanadium in the European market at the date of this report was US\$32.00 per kilogram of contained vanadium.

Under the terms of Atlantic's sales and marketing agreement, initial payment for ferrovanadium is received at 80% of the London Metal Bulletin (**LMB**) price following delivery to the off-taker's warehouse in Perth and independent specification certification by SGS. Initial payment is based on the "Vanadium Sales" volume disclosed in this report.



*Windimurra ferrovandium repackaged for the North American market*

### **Exploration and Resource Development**

The Company undertook no exploration activities during the quarter.

### **KEY APPOINTMENTS**

During the period, the Company welcomed Daniel Harris to the role of Chief Operating Officer. Daniel's career spans more than 30 years in technical and executive management roles in the mineral processing and manufacturing industries.

For most of this time, Daniel worked in subsidiary operations of Strategic Minerals Corporation (formerly Union Carbide), including roles as CEO and COO of their vanadium business. He most recently worked in Moscow as Vice President, Vanadium Assets for Evraz.

## BUSINESS DEVELOPMENT

### Internal Growth

During the quarter, the Company continued to carry out work in conjunction with Changsha Research Institute of Mining and Metallurgy on the potential to separate Windimurra's iron ore fines into iron (Fe) powder and titanium dioxide (TiO<sub>2</sub>) concentrate.

Atlantic is currently completing further test work in Perth before deciding the optimal way forward for this exciting opportunity.

### External Growth

During the quarter, the Company continued to work in close collaboration with Vietnam's National Institute of Mining-Metallurgy Science and Technology (**Vimluki**) on the draft Development Study for an integrated 'mine-rail-port' bauxite operation in the Central Highlands of Vietnam.

Atlantic completed the study in draft form and provided the study to Vimluki in late 2012. Following feedback from Vimluki and other parties, the study was submitted to the Vietnamese Government in early January 2013.

Once considered and approved by the Vietnamese Government, the development study is expected to lead to a full feasibility study for the development of an integrated long-term 'mine-rail-port' bauxite supply chain project in the Central Highlands of Vietnam, which hosts one of the world's most significant and undeveloped bauxite resources.

Atlantic continues to investigate potential investment opportunities in accordance with its growth strategy to build a diversified portfolio of resources assets. The business development team continues to evaluate new investment opportunities in accordance with Atlantic's stringent acquisition and investment criteria.

## CORPORATE ACTIVITY

### Funding

The Company undertook certain funding activities during the quarter, with the funds being used to support the Windimurra vanadium plant's ramp-up:

- The Company drew down the final A\$20 million available under a A\$50 million convertible bond facility during the quarter.

The funding facility was provided by Droxford International Limited (**Droxford**), Atlantic's largest shareholder.



The convertible bonds were issued subject to Foreign Investment Review Board (**FIRB**) approval and Atlantic shareholder approval, both of which were received during the period.

- Following a technical review by SRK Consulting (**SRK**), Atlantic's wholly-owned subsidiary Midwest Vanadium Pty Ltd (**MVPL**) secured the consent of the majority of the holders of MVPL's senior secured notes (US\$335 million, 11.5% per annum due February 2018) to release US\$9.9 million from MVPL's existing cash reserves to be assigned to the Windimurra ramp-up.

The amendments agreed with the majority of the holders of the senior secured notes also provide for certain indenture amendments.

- The Company received in cash a A\$22 million research and development tax claim from the Australian Taxation Office at the end of the quarter.

#### **Legal action relating to Windimurra CMB circuit**

The Company is investigating legal action in relation to the Windimurra CMB circuit.

The Company has spent significant sums to date to rectify issues in the CMB circuit. In addition the Company has suffered losses arising from these issues.

### **ANNUAL GENERAL MEETING**

Atlantic held its Annual General Meeting (**AGM**) on Thursday 29 November 2012. All resolutions put to the AGM were passed without amendment.

### **CASH FLOW STATEMENT**

At the end of the quarter, Atlantic and its subsidiaries held A\$31.3 million in cash. Of these funds, US\$14.3 million is held in the interest reserve account and approximately A\$17.4 million is unrestricted cash.

As disclosed during the quarter, Atlantic is continuing consultation with the holders of MVPL's senior secured notes regarding the potential release of up to a further US\$10 million from the existing interest reserve account balance and a related reduction in the minimum interest reserve holding balance. This consultation is expected to be concluded in February.

The Appendix 5B for the quarter ended 31 December 2012 will be released separately in due course.

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

QUARTER ENDED  
31 DECEMBER 2012

BUILDING  
A WORLD  
CLASS  
RESOURCES  
GROUP

**ATLANTIC LTD**

Level 29, Bankwest Tower  
108 St Georges Terrace  
Perth WA 6000

Tel: +61 8 6141 7100  
Fax: +61 8 6141 7101

**ASX CODES**

ATI (ordinary shares)

**DIRECTORS**

**Michael Minosora**  
*(Chairman and  
Managing Director)*

**Tony Veitch**  
*(Executive Director)*

**Phiong Phillipus Darma**  
*(Non-Executive Director)*

**FOR FURTHER INFORMATION PLEASE CONTACT:**

**Michael Minosora**  
*Chairman and Managing Director, Atlantic Ltd*  
Tel: +61 8 6141 7100

**Glen Zurcher**  
*Investor Relations, Atlantic Ltd*  
Tel: +61 8 6141 7215

**ABOUT ATLANTIC LTD**

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

Atlantic combines its strong financing capability with a highly disciplined and innovative approach to acquire resources projects that are low cost, long life and near production.

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