



QUARTERLY REPORT

THREE MONTHS ENDED
31 MARCH 2014

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its report for the quarter ended 31 March 2014.

OPERATIONS

Windimurra Operations

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

Following investigations of the fire, it was confirmed that the fire started during maintenance works on screen 3.

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

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

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 granted indemnity for the fire during the quarter, and Atlantic has now received the first of a series of progress payments under its insurance policy in the amount of \$18.45 million.

The total amount of the insurance claim will be determined by the final cost of the beneficiation plant rebuild (subject to declared value limits) and the fixed costs incurred during, and the ultimate length of, the period of business interruption as a result of the fire.

Beneficiation Plant Rebuild

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

The project team has now completed a structural analysis of the beneficiation plant following the fire. The review demonstrated that the most cost and time effective option is to demolish the existing structure and rebuild the plant from the foundations. Demolition work has now commenced.

The beneficiation plant rebuild scope of work, detailed schedule and execution cost is being prepared in parallel with this demolition work.

Plant Technical Review

During February, independent consultants SRK completed a review of the Windimurra plant. Based on the operating experience of the plant during the immediately preceding months, this review identified a number of bottlenecks in the plant that had limited vanadium production and that are required to be addressed to enable the plant to reach sustainable levels of production.

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 or impact the reconstruction of the beneficiation plant outlined above.

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.

Safety

The Company is pleased to report that there were no injuries as a result of the fire at Windimurra. There were however four lost time injuries during the quarter, all minor in nature. The Board and management are committed to ensuring a safe working environment at all times.

Costs

During the quarter, the Company took immediate steps following the fire to reduce its expenditure. These steps included invoking force majeure clauses in contracts and the standing down of contractors involved in mining, reagent deliveries and vanadium production activities.

In addition, the Company made approximately 90 employees redundant in view of the time expected before the rebuild of the beneficiation plant will be complete and normal production can resume. This decisive action was considered appropriate in the circumstances.

Production

Due to the planned maintenance shut down in January and the fire in early February, there was lower than expected vanadium production in the March quarter.

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

Sales of ferrovanadium in inventory from production prior to the fire continued during the period.

Production and sales for the quarter are summarised in the table below.

	3 months to 31 December 2013 (tonnes contained V)	3 months to 31 March 2014 (tonnes contained V)
Vanadium production	298	10
Vanadium sales	142	94

Iron Ore

During the quarter, 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 experienced.

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 has now concluded settlement discussions with the customer for this high titanium lump shipment.

Atlantic has ceased all iron ore related activities as it assesses the market conditions for its products and the latest cost estimates to deliver products to those markets.

	3 months to 31 December 2013 (tonnes)	3 months to 31 March 2014 (tonnes)
Iron ore exports	63,321	0

Industry Pricing Benchmarks

Vanadium prices firmed in North America and were marginally higher in Europe during the quarter.

	1 January 2014 (per kilogram contained V)	31 March 2014 (per kilogram contained V)
Mid-point Ryan's Notes price for vanadium in the North American market	US\$27.43	US\$29.76
Mid-point London Metal Bulletin price for vanadium in the European market	US\$25.50	US\$25.60

Earlier in the quarter, the Company received approval for the export of vanadium trioxide (V_2O_3) which is produced as an intermediary product within the existing flow sheet of the Windimurra plant. The Company has received many requests for the supply of V_2O_3 from customers and is now examining ways to incorporate this value added product into its sales mix.

Exploration and Resource Development

The Company undertook no exploration activities during the quarter.

Vietnam Bauxite Project

For some time, the Company has worked in close collaboration with Vietnam's National Institute of Mining-Metallurgy Science and Technology (**Vimluki**) on a development study for an integrated mine-rail-port bauxite project in the Central Highlands of Vietnam.

To date, the Company has not been granted any licenses or approvals to progress the mine-rail-port project beyond the development study. Given the lack of progress to date and the current financial position of the Company, the Board decided to cease further expenditure on its Vietnam projects.

CORPORATE

Funding

Under its senior secured notes indenture, the Company's wholly-owned subsidiary Midwest Vanadium Pty Ltd (**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 did not make the IRA deposit or the interest payment during the quarter and as a result is in breach of the terms of the indenture governing the senior secured notes.

On 10 March, Atlantic announced that MVPL had agreed a standstill arrangement and signed a new funding facility with Atlantic's largest shareholder Droxford International Limited (**Droxford**).

This new \$29.7 million funding facility, which was completed shortly after period end, is secured pari passu with MVPL's senior secured notes.

In addition to the new funding facility, MVPL 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 during the term of the forbearance agreement.

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 early stages of the rebuild of the beneficiation plant and the wider plant review; and
- flexibility to negotiate a longer term restructure of the Company incorporating any further funding required for work identified as part of the review of the Windimurra plant.

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

During the quarter, Atlantic announced that Mr Gary Lewis had been appointed Non-Executive Chairman of Atlantic and Dr Michael Daniel had been appointed Non-Executive Director of Atlantic. In addition, Mr Michael Minosora resigned as Chairman and Managing Director 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 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.

CASH FLOW STATEMENT

The Appendix 5B cash flow statement for the quarter ended 31 March 2014 will be released separately.

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