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QUARTERLY REPORT



QUARTER ENDED

30 September 2011

ATLANTIC LTD

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ASX CODES

ATI (ordinary shares)

ATIO (listed options)

DIRECTORS

Ian McMaster

(Chairman)

Michael Minosora

(Managing Director)

Tony Veitch

(Executive Director)

Alan Mulgrew

(Non-Executive Director)

Jay Wachter

(Non-Executive Director)

Phiong Phillipus Darma

(Non-Executive Director)

BUILDING A WORLD CLASS RESOURCES GROUP

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QUARTERLY REPORT

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its report for the quarter ended 30 September 2011.

HIGHLIGHTS

- Windimurra vanadium project construction is complete as is demobilisation of construction personnel
- Significant advances made to commissioning of the plant following handover from construction contractors to Atlantic's operations team
- Process commissioning well underway in key plant areas including the crushing, milling and beneficiation ("CMB") plant and rotary kiln
- Modification works identified during process commissioning of the CMB plant
- Ferrovandium production to commence in the fourth calendar quarter
- Construction capital forecast within 3% of budget
- International vanadium marketing roadshow completed – strong interest from potential ferrovanadium customers in North America and Europe
- Strong expressions of interest received for the possible production of premium grade vanadium pentoxide from Windimurra with an investment decision to likely be made in the current quarter
- Full mine to port iron ore logistics chain implementation commenced
- Iron ore shipments expected to commence in December 2011
- Further expressions of interest received for iron ore co- and bi-products
- Agreement signed with Vietnam's Institute of Mining Science & Metallurgy to undertake a development study of Atlantic's proposed 'mine-rail-port' bauxite project
- Chief Financial Officer appointed

WINDIMURRA VANADIUM PROJECT UPDATE

During the September quarter, Atlantic made further solid progress towards completion of construction of the Windimurra vanadium project (“**Windimurra**”) with first production and revenues expected in the fourth calendar quarter of 2011.

With project construction completed in October, the estimated total construction cost to date will see a small budget overrun of 3% at the date of this report. Demobilisation of construction equipment and personnel is complete.

Atlantic is assessing the merits of adding a vanadium pentoxide circuit at Windimurra. Work undertaken by Atlantic has shown that procuring a new circuit would be preferable to refurbishing a legacy circuit. Atlantic is likely to make a final investment decision on the addition of a vanadium pentoxide circuit in the December quarter.

Operational staff recruitment has been very successful, with 85% of Windimurra’s personnel recruited to date, bringing total staff numbers to 125.

Windimurra continued its positive safety record during the quarter, reporting one minor lost time injury.

Strong progress continued to be made in terms of operational readiness, maintenance programs, information systems, spare parts cataloguing and contract services.

Construction and Commissioning

During the quarter, the tailings dam facility was completed and connected to the production plant via two slurry pipes. Following earthworks in the previous quarter, the barren liquor pond was lined and construction has now been completed.

Pre-strip mining of the Northern cut-back area was completed and the first vanadium ores (oxidised ore) were mined and brought to the run of mine (“**ROM**”) pad. Ore stocks on the ROM pad stood at 170,000 tonnes at the end of September 2011.

Following the enabling of gas supply to the Windimurra power station, the Solar Turbines and Jenbacher gas fired generators were successfully process commissioned.

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Following completion of construction and wet commissioning of the primary, secondary and tertiary crushers of the CMB plant in the September quarter, the milling and beneficiation areas within the CMB plant were wet commissioned and the operations team began process commissioning of the area. A number of modification requirements to the CMB plant were identified during this process towards the end of the quarter and these works resulted in the shut-down of the CMB plant while the modifications were undertaken.



Building of the crushed ore stockpile

Modification works to the CMB plant included:

- modifying feeders within the discharge feeder of the crushed ore stockpile;
- modifying the high pressure grinding roll (“HPGR”) repulper hopper and water piping; and
- modifying primary piping within the magnetic separator tower including installing bypass piping and valving for improved flow management.

Further modification works will be undertaken as the plant undergoes process commissioning and ramp-up.

Despite the modification work underway on the CMB plant during the quarter which has impacted ramp-up, the CMB plant has already produced a high quality magnetite concentrate

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meeting expectations which is being used for process commissioning of the rotary kiln, the next process phase in the plant.



Magnetite concentrate from the CMB plant ready for roasting in the rotary kiln

Construction work on the kiln area was completed during the quarter, including kiln gas burner fit-out and first fills of soda ash on site. Subsequent to quarter end, the kiln's refractory was cured by heating the kiln to 600 degrees and successful load testing of the kiln was undertaken using a substitute product through the kiln.

More recently, the kiln was fed magnetite concentrate and process commissioning is currently underway.

The leaching circuit was wet commissioned and handed over to the operations team.

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Kiln and leach vats undergoing wet commissioning

The desilication circuit was prepared for operational readiness following wet commissioning. Aluminium sulphate, a reagent, was brought to site. Sulphuric acid and corresponding pumps have been installed and are ready for the first acid delivery. The precipitation circuit was wet commissioned.

Construction of the back end of the vanadium plant, the pyrometallurgical process comprising a flash dryer, two reduction furnaces and the ferrovanadium (“**FeV**”) electric arc furnace (“**EAF**”) was completed.

The operations team successfully tested the EAF with substitute material, to achieve the first pour of a slag and steel mix. This process commissioning involved placing a full load on the captive Windimurra power plant, which has performed without issue.

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Ferrovandium electric arc furnace undergoing commissioning with a slag and steel mix

Construction of the ferrovandium packing plant is complete.

Marketing – Vanadium

Atlantic's vanadium sales and marketing agent, Element Commodities, received strong interest from customers for Windimurra's ferrovandium product. This followed a vanadium marketing roadshow to major North American and European steel mills and also involved profiling Windimurra in industry publications.

Marketing – Iron Ore

During the June quarter, an agreement was reached for the sale of an initial 30,000 tonnes of iron ore fines. The terms of the contract are undergoing renewal and it is expected that shipment will take place in December.

Further sales contracts for Windimurra's existing iron fines product remained under negotiation.

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Iron Ore Logistics

During the quarter, Atlantic continued to make progress in establishing its iron ore logistics supply chain from Windimurra to the Port of Geraldton.

All major approvals for the processing, loading, transportation and port loading of iron ore from Windimurra were received from relevant State Government departments and agencies.

Subsequent to quarter end, Atlantic secured key commercial agreements, including;

- mine to port haulage
- port storage, and
- storage to ship loading logistics arrangements.

Atlantic is now working with preferred partners to implement the logistics chain.

The first shipment of iron ore is expected to commence in December 2011.

Exploration

Subsequent to quarter end, infill resource development drilling commenced in the Southern Mine Area. A revised mineral resource estimate, mine design, schedule and ore reserve base will be produced from the outcome of this drilling. This program will be completed by the end of October 2011 with a revised estimate available in January 2012.

Exploration work will also be undertaken on the southern tenements with the goal of quantifying the mineral resource potential of both vanadium bearing and specialized iron ore products. This will involve detailed surface mapping and sampling of surface outcrops. The program will be completed by March 2012.

VIETNAM BAUXITE PROJECT

Atlantic is proposing the development of a bauxite mine, rail and port project, in Vietnam. Subsequent to the quarter, and following extensive dialogue with the Vietnamese Government and other key stakeholders, an agreement was signed with Vietnam's Institute of Mining Science & Metallurgy ("**Vimluki**") to undertake a development study of the project with Vimluki.

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The development study will assess the 'mine-rail-port' proposal submitted by Atlantic to local and national authorities which formed the basis of Atlantic's submission to the Vietnamese Government in the development of Vietnam's national master-plan for the bauxite industry.

The study is an important step in achieving Atlantic's objectives of undertaking a full feasibility study into the development of an integrated 'mine-rail-port' bauxite supply chain project in joint venture with a Vietnamese partner.

Atlantic is proposing a large-scale bauxite mining operation, to be developed in stages, and a 260 kilometre third party access heavy haul rail line. This will transport mined bauxite from the Central Highlands to the coast where bulk port infrastructure will be built. Further downstream processing, including development of an alumina refinery and an aluminium smelting facility near the coast, will then be considered.

The agreement brought Atlantic one significant step closer to approval to establish the joint venture to develop the 'mine-rail-port project'.



Signing of an agreement between Vimluki and Atlantic Ltd in Hanoi

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KEY APPOINTMENTS

During the quarter, Atlantic was delighted to welcome Ross Glossop as Chief Financial Officer and member of the senior management team.

Mr Glossop has 30 years experience in the mining and resources sectors. He served as Regional CFO (Australia/Africa) for Barrick Gold Corporation from 1993-2006 and has held CFO positions with Bellzone Mining Plc, Oceana Gold Corporation and most recently Apex Minerals NL.

BUSINESS DEVELOPMENT

Organic Growth Projects

Atlantic continued to receive approaches for offtake of vanadium pentoxide, given the high quality vanadium pentoxide capable of being produced by the Windimurra plant utilising the gas fired kiln at site.

With a reasonable capital investment and minor modification to the flow sheet, the Windimurra vanadium project has the ability to produce a premium grade vanadium pentoxide for use in the master alloy industry.

Atlantic also received interest for its high titanium lump product and samples were sent to potential Chinese customers for test work. This product is being stockpiled as part of the Windimurra mine plan.

Atlantic continued to test the high titano-magnetite unit at Windimurra for further value adding opportunities with a Chinese research institute, including production of high grade iron and titanium concentrates. This test work was very successful. Further laboratory and process scale testing is planned to establish the optimal process flow sheet to allow Windimurra to produce high grade iron and titanium concentrates in addition to its high purity vanadium products. Subject to the success of this further test work, Atlantic intends to conduct a feasibility study into the development of a further process circuit to produce these products in 2012.

External growth

Atlantic also continued to assess new resources investment opportunities during the quarter in accordance with its growth strategy. Atlantic has a firm pipeline of new investment opportunities that are being systematically examined by the Business Development team in accordance with Atlantic's strict acquisition filters and stated investment criteria.

SUBSTANTIAL SHAREHOLDERS

Subsequent to the quarter end, L1 Capital Pty Limited increased its shareholding in Atlantic to 6.99% of the Company's issued capital.

CASHFLOW STATEMENT

At the end of the quarter, Atlantic and its subsidiaries held approximately \$65.5 million in cash, the majority of which is committed to; commissioning of the Windimurra vanadium project, ongoing geological works in the Southern Mine Area and southern tenements, ongoing studies in relation to the Vietnam 'mine-rail-port' bauxite project and interest reserves.

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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**

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Atlantic Ltd

ABN

60 009 213 763

Quarter ended ("current quarter")

30 Sep 2011

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration | - - - (4,481) | - - - (4,481) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 472 | 472 |
| 1.5 Interest and other costs of finance paid | (18,517) | (18,517) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other - GST receivable | 11,235 | 11,235 |
| | (11,291) | (11,291) |
| Net Operating Cash Flows | | |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets | - - (46,323) | - - (46,323) |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | - - - | - - - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other – cash acquired on acquisition of Midwest Vanadium | - | - |
| | (46,323) | (46,323) |
| Net investing cash flows | | |
| 1.13 Total operating and investing cash flows (carried forward) | (57,614) | (57,614) |

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Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|-----------------|-----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (57,614) | (57,614) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 134 | 134 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | (16) | (16) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other | - | - |
| | Net financing cash flows | 118 | 118 |
| | Net increase (decrease) in cash held | (57,496) | (57,496) |
| 1.20 | Cash at beginning of quarter/year to date | 118,185 | 118,185 |
| 1.21 | Exchange rate adjustments to item 1.20 | 4,797 | 4,797 |
| 1.22 | Cash at end of quarter | 65,486 | 65,486 |

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 706 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Payments to directors include fees, salary and related benefits.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

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Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | 341,558 | 341,558 |
| 3.2 Credit standby arrangements | - | - |

Loan facilities as at 30 September 2011 relate entirely to Midwest Vanadium Pty Ltd's US\$335m Senior Secured Notes converted at \$0.9808 (being the exchange rate at balance date), due in February 2018, with interest payable at 11.5% pa. This note facility is fully drawn down. Initial proceeds were received on 17 February 2011 and converted to A\$333.8m at \$1.0035.

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------------|
| 4.1 Exploration and evaluation | - |
| 4.2 Development | 28,712 |
| 4.3 Production | 6,047 |
| 4.4 Administration | 3,277 |
| Total | 38,036 |

First production from the Windimurra Vanadium Project is expected in the December 2011 quarter. Development cash out flows above include all estimated project cash out flows (Item 4.2) for the coming quarter until commercial levels of production have been achieved. Under International Financial Reporting Standards, production accounting will commence once commercial levels of production have been achieved. Production cash out flows above include estimated project cash out flows after this date (Item 4.3). Revenues from anticipated production are not included in the above Estimated Cash Outflows.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 20,738 | 71,969 |
| 5.2 Deposits at call | 44,748 | 46,216 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 65,486 | 118,185 |

Of the cash available at the end of the quarter, US\$38.7m (A\$39.4m) is restricted to future interest payments on the Midwest Vanadium Pty Ltd Senior Secured Notes and US\$5m (A\$5.1m) is the minimum balance required to be maintained under the Midwest Vanadium Pty Ltd Senior Secured Notes.

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Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | None | | |
| 6.2 | Interests in mining tenements acquired or increased | None | | |

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|--|------------------|---|--|
| 7.1 | Preference securities <i>(description)</i> | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | |
| 7.3 | +Ordinary securities 66 Class B | 114,273,650 - | | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 671,734 | 20 cents | |
| 7.5 | +Convertible debt securities <i>(description)</i> | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | |

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| | | | | | |
|------|--|--|--|--|--|
| 7.7 | Options <i>(description and conversion factor)</i> | 4,594,349 169,811 | Quoted Unquoted | <i>Exercise price</i> 20 cents \$1.325 | <i>Expiry date</i> 31 December 2011 31 August 2012 |
| 7.8 | Issued during quarter | Nil Nil | Quoted Unquoted | | |
| 7.9 | Exercised during quarter | 3,300 85,000 1,000 130,000 8,491 15,809 182,334 187,000 30,000 27,000 1,500 300 | Quoted Quoted Quoted Quoted Quoted Quoted Quoted Quoted Quoted Quoted Quoted Quoted | 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents 20 cents | |
| 7.10 | Expired during quarter | Nil | | | |
| 7.11 | Debentures <i>(totals only)</i> | | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Director)

Date: 27 October 2011

Print name:

Michael Minosora

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Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.

- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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