



# QUARTERLY REPORT

Atlantic Ltd (ASX: ATI) (**Atlantic** or the **Company**) is pleased to present its report for the quarter ended 30 September 2012.

## HIGHLIGHTS

- **Modification work to CMB circuit completed**
- **Shipments of Windimurra ferrovanadium continued**
- **Leadership Team strengthened with the appointment of new Chief Operating Officer and General Counsel**
- **A\$50 million Class B Convertible Bond funding facility secured to support Windimurra ramp-up**

## WINDIMURRA PROJECT UPDATE

Atlantic continued production ramp-up at its wholly-owned Windimurra vanadium project (**Windimurra**) during the quarter.

The Company was challenged during the period as a result of mechanical failure to the high pressure grinding roll (**HPGR**) unit within the crushing, milling and beneficiation (**CMB**) circuit and downtime due to the completion of modification work to the CMB circuit. As a result, the vanadium plant operated at low levels of ferrovanadium production during the quarter while the CMB circuit underwent commissioning and ramp-up following completion of modification work early in the quarter.

Thirty-six tonnes of ferrovanadium were delivered to the warehouse in Perth during the quarter for sale in accordance with the terms of Atlantic's sales and marketing agreement with Wengfu (Group) Co Ltd (**Wengfu**) and Element Commodities Ltd (**Element**).

The Company is focused on increasing levels of vanadium production significantly in the coming months and ramping-up production to capacity.

In the current quarter, the Company is focused on:

- Ramping-up the CMB circuit to deliver consistently higher levels of vanadium-bearing magnetite concentrate to the kiln for roasting;
- Streamlining the refining process; and
- Continuing regular product shipments to generate ongoing operational cash flows.

The Company notes that there remain challenges ahead as with any project undergoing ramp-up.

*Crushed ore enters the new screening plant commissioned at the start of the quarter*



**Windimurra Operations**

Safety

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

People

At Windimurra, operational roles including operator, supervisor and manager positions were filled during the quarter. These roles were filled to accommodate the production ramp-up plan.

A Commercial Group was established during the period to improve procurement practices across the group, develop supplier relationships, increase cost control and reduce operating risks to the business.

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### Mining

Mining continued to meet the demands of the processing plant during the quarter including delivering all three types of ore (oxide, transitional and fresh).

During the quarter, the Windimurra mining contract was retendered to B&J Catalano (**Catalano**). Catalano mobilised to the Windimurra mine site subsequent to the end of the quarter. An inventory of raw material stock on the run of mine (**ROM**) pad allowed for a smooth transition between mining contractors.

The retendering forms part of a Company-wide focus on procurement tendering and cost control.

*ROM pad showing the three ore types; oxidised (left), transitional (centre) and fresh (right)*



### CMB Circuit

During the quarter, the modification work to the CMB plant was completed and tied-in to the CMB process flow. This was completed within budget and subsequent to tie-in underwent commissioning and commenced ramp-up during the quarter.

The modification work has yielded positive results with improved stability and longer run times in line with the Company's expectations and will support Windimurra's ramp-up.

Well into the quarter, ramp-up activities to the CMB circuit were hampered by a gearbox failure to the high pressure grinding roll (**HPGR**) unit resulting from a broken driveshaft. The gearbox was repaired and reinstalled without material cost allowing the HPGR to resume operation.

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The operations team continues to develop standard operating procedures for the beneficiation circuit as well as the rest of the plant.

Subsequent to quarter end, during routine maintenance, it was identified that the secondary and tertiary crushers would need to be rebuilt. The rebuild was completed subsequent to quarter end and resulted in approximately one week of lost operating time in the CMB circuit.

#### Roasting and Leaching

The kiln operated during the period in line with magnetite concentrate production from the CMB circuit.

In preparation for running the kiln at higher rates, the discharge drag chain conveyor was replaced to enable the rate of feed from the kiln to the leach vats to be increased.

Leaching of roasted magnetite concentrate to produce pregnant vanadium-bearing liquor continued without issue.

#### Vanadium Refinery

Desilication and precipitation areas of the vanadium refinery operated without significant issue.

During the quarter, work was completed on addressing issues identified in the main seals and discharge area of the two reduction kilns. The reduction kilns convert ammonium metavanadate (**AMV**) to vanadium trioxide ( $V_2O_3$  – an intermediate saleable vanadium product) before it is fed into the electric arc furnace (**EAF**).

A new furnace feeder was installed to improve the consistency of heat build up in the EAF following test work of the  $V_2O_3$  feed rate into the EAF.

Ferrovandium pours increased in frequency during the quarter, with refinery teams maintaining their focus on optimising the blend of material entering the EAF to yield high quality ferrovandium product.

#### **Marketing – Vanadium**

The Company is now consistently producing on-specification ferrovandium product and during the quarter the Company made regular 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 and Element.

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Ferrovandium pricing remained at robust levels during the quarter, with Ryan's Notes pricing for the North American market at quarter end at US\$32.45 per kilogram of contained vanadium, a decrease from the previously reported US\$35.23 per kilogram as at the end of the June quarter.

London Metal Bulletin pricing for vanadium in the European market at quarter end was US\$24.45 per kilogram of contained vanadium, down slightly from the previously reported US\$25.53 per kilogram as at the end of the June quarter.

### **Marketing – Iron Ore**

The Company continues to examine ways to enter the iron ore market by seeking to further reduce its logistics costs and marketing its Windimurra iron ore.

Sales and marketing efforts have attracted potential iron ore customers, however the current iron ore market does not provide favourable conditions to commit to long-term contracts.

### **Exploration and Resource Development**

The Company undertook no exploration activities during the quarter.

### **KEY APPOINTMENTS**

The Company was pleased to welcome further appointments to the senior management team during the quarter.

Peter Patterson joined Atlantic in the role of General Counsel in September. Peter has extensive experience working in listed companies spanning almost 25 years with a strong emphasis on commercial legal matters.

Shortly after quarter end, 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.

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## BUSINESS DEVELOPMENT

### Internal Growth

During the quarter, the Company received the results of test work being carried out 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. The results were presented and well received at a Chinese seminar.

Atlantic is considering the optimal way forward for this exciting opportunity. The Company has already received customer enquiries about these potential products, which it believes provide an opportunity to add significant value in expanding the Windimurra product suite over time.

### 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, which will be submitted to the Government of Vietnam in November.

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

The Company announced a new A\$50 million convertible bond facility during the quarter. The funding facility has been provided by Droxford International Limited (**Droxford**), Atlantic's largest shareholder. The funds will be used to support the Windimurra ramp-up and for general corporate purposes.

Two draw downs of the facility totalling A\$30 million were made during the quarter and a further A\$20 million draw down occurred subsequent to the end of the quarter.

Conversion of the bonds into Atlantic shares is subject to Foreign Investment Review Board (**FIRB**) approval and Atlantic shareholder approval.

As a result of signing of the new convertible bond funding facility, amendments were made to the terms and conditions of the existing convertible bond deed. This includes resetting the conversion price of all convertible bonds to 50 cents per share.

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## **BOARD**

The Company has commenced a search to appoint additional non-executive directors to its Board of Directors.

## **ANNUAL GENERAL MEETING**

Atlantic will hold its Annual General Meeting (**AGM**) on Thursday 29 November 2012 at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia, commencing at 10am (Perth time).

In accordance with the retirement by rotation rules set out in the constitution of the Company, an election of directors will occur at the AGM.

Shareholders are encouraged to attend and participate in the meeting. Shareholders may raise questions at meetings and the external auditor will be in attendance at the AGM to address any questions in relation to the conduct of the audit.

## **CASH FLOW STATEMENT**

At the end of the quarter, Atlantic and its subsidiaries held approximately A\$23.9 million in cash.

**A d d i t i o n a l   i n f o r m a t i o n   o n   A t l a n t i c   c a n   b e  
f o u n d   a t   [www.atlanticltd.com.au](http://www.atlanticltd.com.au).**

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### Competent Person Statement – Mineral Resources

The information in this report that relates to exploration activities and mineral resources is based on information compiled by Colin Arthur, who is a Chartered Geologist, Member of The Australasian Institute of Mining and Metallurgy and Fellow of the Geology Society of London. Colin Arthur was, until 20 September 2012, a full-time employee of Midwest Vanadium Pty Ltd (a wholly-owned subsidiary of Atlantic Ltd) in the capacity of Chief Geologist. Colin Arthur has over twenty years experience in this style of mineralization and the type of deposit under consideration and related mining method and project evaluation. He has sufficient experience which is relevant to the style of mineralization and to the activity which he is undertaking. He is therefore qualified as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

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