

29 April 2016

Atlantic Ltd (ASX: ATI; **Atlantic** or the **Company**) is pleased to present its activities report for the quarter ended 31 March 2016.

Windimurra Vanadium Project

Atlantic owns 100% of the shares in Atlantic Vanadium Holdings Pty Ltd (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) (**AVHPL**) that in turn holds all the shares in Midwest Vanadium Pty Ltd (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) (**MVPL**). MVPL owns 100% of the Windimurra vanadium and iron ore project, located approximately 600 kilometres north of Perth in Western Australia (**Windimurra Project**).

Following the appointment of Norman Oehme, Keith Crawford and Matt Caddy of McGrathNicol as Receivers and Managers of AVHPL and MVPL (the **Receivers**) in February 2015, AVHPL and MVPL are now managed by the Receivers.

During the quarter, Atlantic announced that it had submitted a proposal to acquire the Windimurra Project with the support of Droxford International Limited (**Droxford**), its largest shareholder and creditor. The proposal involves (among other things) the entry into a deed of company arrangement (**DOCA**) with the creditors of AVHPL and MVPL and an agreement under which Atlantic Vanadium Pty Ltd, a newly incorporated wholly-owned subsidiary of Atlantic, would acquire the Windimurra Project assets.

In exchange for the transfer of the Windimurra Project assets, Atlantic Vanadium Pty Ltd agreed to pay \$250,000 to be distributed to the unsecured creditors of AVHPL and MVPL in accordance with the terms of the DOCA.

Subsequent to the submission of the proposal, the creditors of AVHPL and MVPL approved the DOCA at a meeting of creditors on 12 February 2016.

Droxford, Atlantic and the relevant parties have now executed the definitive documentation for the acquisition of the Windimurra Project assets and Atlantic Vanadium Pty Ltd has paid the refundable deposit of \$1 million.

Following the signing of the definitive documentation, Atlantic received Ministerial consent for the transfer of the relevant mining and other leases as part of the acquisition of the Windimurra Project assets, which are subject to standard conditions which Atlantic expects will be satisfied. In addition, Atlantic Vanadium Pty Ltd has received FIRB approval for the acquisition.

Atlantic expects the transaction to close in the current quarter.

Atlantic notes that in excess of \$560 million has been invested in the Windimurra Project mine and plant and equipment to date, however vanadium prices are currently trading at levels that will not support the redevelopment of the project at this time.

Notwithstanding the current vanadium market environment, and with the full support of its largest shareholder and creditor Droxford, Atlantic intends to institute a structured care and maintenance plan for the Windimurra Project with a view to redeveloping the project when market conditions allow.

Atlantic conducted no exploration activities during the quarter.

Proposed Scheme of Arrangement

Shortly after period end, Atlantic announced that it had entered into a Scheme Implementation Deed (**Implementation Deed**) with Droxford under which it is proposed that Droxford will acquire all of the Atlantic shares which it does not already own by way of a scheme of arrangement for cash consideration of \$0.003 per share (**Scheme**).

Droxford is the largest shareholder of Atlantic with 17.4% of Atlantic's issued capital. Droxford is also the largest creditor of Atlantic and as at 31 March 2016 is owed \$332.5 million under convertible bonds and promissory notes (including accrued interest) issued by Atlantic to Droxford.

Payment of the cash consideration under the Scheme will be funded by an amount of outstanding convertible bond interest due and payable by Atlantic to Droxford. Droxford will direct this amount to be paid to Atlantic shareholders in consideration for the transfer of their Atlantic shares under the Scheme. Approval of Atlantic shareholders will be required to facilitate this.

The Atlantic Board appointed Independent Non-Executive Director, Dr Mike Daniel, to consider and respond to Droxford's Scheme proposal.

The Independent Director has evaluated the Scheme proposal and, in the absence of a superior proposal and subject to an Independent Expert concluding that the Scheme is in the best interests of Atlantic shareholders, the Independent Director recommends that Atlantic shareholders vote in favour of the Scheme.

Subject to those same qualifications, the Independent Director intends to vote all the Atlantic shares held or controlled by him in favour of the Scheme at the Scheme meeting.

The Independent Director has engaged Deloitte Corporate Finance Pty Limited (**Independent Expert**) on behalf of Atlantic to prepare an independent expert's report on whether the Scheme is in the best interests of Atlantic shareholders.

The Independent Expert's report will be included in the Scheme Booklet which is expected to be distributed to shareholders in the near future for a shareholders meeting in June. Subject to shareholder approval, the Scheme is expected to be completed by 30 June 2016.

On 6 May 2015, Atlantic announced that it had entered into a forbearance agreement with Droxford under which Droxford agreed to forbear and not take any action to accelerate any of its convertible bond or promissory note debts until 6 October 2015, subject to certain conditions. That forbearance was subsequently extended until 6 April 2016 by Droxford.

The Implementation Deed further extends the forbearance period beyond 6 April 2016 until the earliest to occur of (i) the date on which the Scheme fails to become effective; (ii) the Independent Director of Atlantic recommending a competing proposal (as defined in the Implementation Deed) and not, within three business days, reinstating his recommendation of the Scheme; and (iii) 30 business days after the Scheme becomes effective.

If the Scheme (or other solvent restructuring of Atlantic) is not implemented and the forbearance period ends, Droxford is entitled to rely on and pursue all its rights against Atlantic under the convertible bonds and promissory notes. Droxford has indicated to the Atlantic Board it intends to pursue recovery of the amount owing if the Scheme does not proceed.

Insurance Claim

On 19 April 2016, Atlantic announced that it had entered into a binding settlement deed with a group of insurers representing 77.5% of the insurance programme (**Majority Insurers**) covering the major fire in the beneficiation plant at Windimurra on 4 February 2014.

At the time of the fire, Atlantic controlled MVPL, and both Atlantic and MVPL were covered by a comprehensive industrial special risks policy that covered the material damage to the beneficiation plant owned by MVPL and the resulting business interruption for Atlantic and MVPL.

The settlement deed has also been entered into by the Receivers and Managers of MVPL.

Under the settlement deed with the Majority Insurers, Atlantic has agreed to settle its business interruption claim for \$44.5 million on a 100% basis.

Of this amount, Atlantic has previously been paid \$23.95 million (100% basis). As a result, the net payment due to Atlantic is \$20.55 million on a 100% basis.

Given the settlement deed has only been entered into with the Majority Insurers, this settlement will result in Atlantic receiving approximately \$15.9 million in the near future.

Atlantic, in consultation with the Receivers and Managers of MVPL, is currently considering all its options in relation to its outstanding business interruption insurance claim covered by the insurers representing the remaining 22.5% of the insurance programme.

ASX Suspension

Atlantic believes that it is appropriate for the suspension in the trading of the Company's securities to remain in place pending the outcome of the proposed Scheme.

Cash Flow Statement

The Appendix 5B cash flow statement for the quarter ended 31 March 2016 will be released separately.

For further information please contact:

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