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Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
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Sydney NSW 2000

WINDIMURRA PROJECT UPDATE

Atlantic Ltd (ASX: ATI) is pleased to provide the attached detailed project update on the Windimurra vanadium project.

Yours sincerely



Yasmin Broughton
Company Secretary

Att

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Windimurra Project Update

This document provides a detailed project update on the Windimurra vanadium project (the "Project"). References to "we", "our", or "us" refer to Atlantic Ltd ("Atlantic"), Midwest Vanadium Pty Ltd ("MVPL") and Atlantic Vanadium Holdings Pty Ltd ("Atlantic Holdings"), as the context provides.

This project update contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this project update, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets and future developments in the markets where we participate or are seeking to participate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" or the negative of such terms or other comparable terminology and other similar expressions that are predictions of or otherwise indicate future events or trends. These risks, uncertainties and factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements). These factors include:

- *failure to complete and commission the processing plant in the time frame and within estimated costs currently planned;*
- *operational failures or technical issues with the Project's mine facilities, processing plant and related infrastructure;*
- *unavailability of key personnel, supplies, equipment, infrastructure, contractors and other necessary components of the Project;*
- *variations in global demand and price for vanadium and iron ore fines;*
- *fluctuations in exchange rates between the U.S. dollar and the Australian dollar;*
- *the failure of our suppliers and service providers to fulfill their obligations under our construction and supply agreements;*
- *unforeseen geological, physical or meteorological conditions or natural disasters;*
- *failure to recover the resource and reserve estimates of the Project;*
- *failure to efficiently process ore into ferrovanadium in a cost effective manner and in the grades anticipated;*
- *changes in the regulatory environment, industrial disputes, labor shortages, political and other factors;*
- *the inability to obtain additional financing, if required, on commercially suitable terms or at all;*
- *global and regional economic conditions; and*
- *the factors identified under "Risk factors" in this project update.*

The foregoing list of factors is not exhaustive and these and other factors could cause actual results to differ materially from those expressed in any forward-looking statement made by us, or on our behalf, or on behalf of any other party associated with the Project. All forward-looking statements in this project update are based solely upon information available to us as of the date of this project update. We do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

In addition, the assumptions and estimates underlying the Base Case Model are inherently uncertain and, although we consider them to be reasonable as of the date of this project update, are subject to regulatory, business and economic risks and uncertainties that could cause actual results to differ materially from those contained in the Base Case Model. Investors should be aware that the timing of events and the magnitude of their impact might differ from that assumed in preparing the Base Case Model, and that this may have a material positive or negative effect on our financial performance and the financial performance of the Project. There can be no assurance that the Base Case Model is indicative of our future financial performance and the financial performance of the Project or that actual results will not differ materially from those presented in the Base Case Model. Inclusion of the Base Case Model in this project update should not be regarded as a representation by any person that the results contained in the Base Case Model will be achieved.

All statements regarding exploration targets are exploration targets that we have set out to achieve through planned drilling and exploration programs. The statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The potential quantity and grade included in any exploration targets set out in this project update is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

Description of the Project

Overview

Atlantic seeks to become one of the world's leading producers of vanadium through the redevelopment, improvement and reopening of our Windimurra vanadium project, which is owned by MVPL, a wholly-owned subsidiary of Atlantic Holdings. Atlantic Holdings is a wholly-owned subsidiary of Atlantic.

Vanadium is a critical component in the production of high-strength metal alloys, principally steel and titanium alloys, in which vanadium acts as a strengthening and hardening agent. Vanadium is used in a variety of end markets including the construction, aerospace and automotive industries. We expect to complete construction and commence operations in the third calendar quarter of 2011 and reach full nameplate capacity in the first calendar quarter of 2013. Once the Project is complete, it will be the only operating vanadium project in Australia and, at nameplate capacity, it is expected to produce approximately 5,700 tonnes of contained vanadium per year. In addition, at nameplate capacity, we expect that the Project will generate approximately one million tonnes per year of iron ore fines from calcine tailings (with an expected average iron content of approximately 55%) as a by-product of processing raw magnetite-rich iron ore into ferrovanadium. As a result of our iron ore fines by-product revenues, as well as our cost-effective mining operations, logistics and transportation arrangements, we expect to be a competitive low-cost producer of vanadium.

The Project contains one of the world's largest known reserves of vanadium, with an estimated 97.8 million tonnes of vanadium-bearing ore reserves that contain an estimated 257,486 tonnes of contained vanadium, as indicated in the tables below. The Project's reserves are part of its measured and indicated resource of approximately 309,900 tonnes of contained vanadium. This mineral resource is based on drilling along a six kilometer ore body, of which the four kilometer core is in our proposed mine pit. A potential further 21 kilometer southerly extension has been identified and will be systematically explored over the coming years. This expectation is also based on extensive exploratory drilling, including over 300 holes drilled, as well as significant knowledge from previous mining activity. We hold the mining tenements and necessary licenses to extract the vanadium ore during the initial stages of our mine plan across the four kilometer ore body, allowing us to begin mining operations as soon as we complete construction on the Project. Our mining and exploration licenses cover the full extent of the four kilometer stretch of the ore body and the further 21 kilometer strike length, and we intend to undertake annual exploration activities in order to confirm the mineralization beyond the four kilometer stretch of the ore body that we intend to mine initially. We expect to spend approximately A\$350,000 per year on exploration for the first three years after commencement of operations and approximately A\$600,000 per year for the following two years.

Mineral Reserves⁽¹⁾

	Tonnes (Mt)	V₂O₅ (%)	V₂O₅ (tonnes)	Vanadium (tonnes)
Proven	40.7	0.47	191,290	107,154
Probable	57.1	0.47	268,370	150,332
Total	97.8	0.47	459,660	257,486

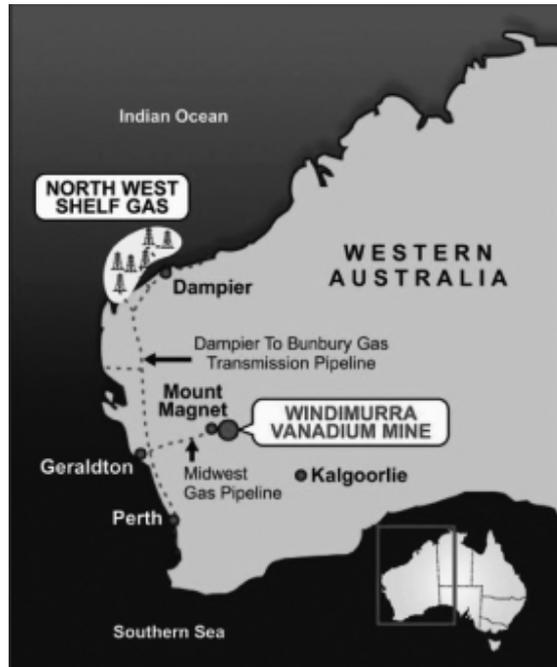
Mineral Resources⁽¹⁾

	Tonnes (Mt)	V₂O₅ (%)	Vanadium (%)	Vanadium (tonnes)
Measured	46.68	0.48	0.27	126,000
Indicated	70.73	0.47	0.26	183,900
Total	117.41	0.47	0.26	309,900

(1) Mineral reserves and resources are reported in accordance with the JORC Code. Vanadium reserves are calculated using a lower cut-off of 0.275% vanadium pentoxide (V₂O₅). Mineral resources that are not mineral reserves do not have demonstrated economic viability. Vanadium resources are calculated using a lower cut-off of 0.275% vanadium pentoxide (V₂O₅).

We incorporated Atlantic Holdings which then purchased MVPL in September 2010 from its previous owners. As a result of previous operations and investment in the Project by its previous owners, the Project benefits from significant existing infrastructure, a fully built crushing and beneficiation plant and open mine pit and a vanadium refinery in an advanced stage of construction. See “—History of the Project and construction timeline.” The Project is approximately 85% complete and we have restarted construction and expect to complete construction and commence operations in the third calendar quarter of 2011. We have commissioned Behre Dolbear Australia Pty Limited (“BDA”), an independent engineering firm, to prepare an independent engineer’s report on the remaining construction and operation of the Project. This report provides an independent technical engineering review of the Project, including a review of the proposed construction and operation of the Project. BDA visited the Project site as recently as July 2010 and since that time has had numerous discussions with our management and operations team.

The Project site is located in the East Murchison Mineral District of Western Australia approximately 400 kilometers east of Geraldton, 600 kilometers northeast of Perth and 80 kilometers southeast of Mount Magnet, as indicated in the figure below. Ferrovandium is expected to be delivered containerized to overseas customers through the Port of Fremantle, near Perth. The Port of Fremantle has regularly scheduled containerized shipping services and, via key intermediate ports, shipments may be made to the key markets that are expected to be the most important sources of global demand for our ferrovanadium. We expect to sell our iron ore fines through the Port of Geraldton, which specializes in the transport of bulk materials and handles significant tonnage of iron ore to key international markets. Total port capacity for our iron ore fines is currently expected to be one million tonnes per year. Both ports are readily accessible from the Project by all weather roads.



We expect to sell our vanadium product to the global steel industry, principally in Europe, North America and Asia, in the form of ferrovanadium, an alloy that contains approximately 80% vanadium. In addition, at nameplate capacity, we expect that the Project will generate approximately one million tonnes per year of iron ore fines from calcine tailings (with an expected average iron content of approximately 55%) as a by-product of processing raw magnetite-rich iron ore into ferrovanadium. We expect to sell our iron ore fines to the steel industry. We may also have the opportunity to blend our iron ore fines with magnetite concentrate that is produced by the Project's crushing and beneficiation plant and other waste material from our mine pit to sell into the heavy aggregate industry for use in heavy concrete production.

We expect to start selling iron ore fines produced from calcine tailings to the steel industry in mid 2011 from the existing 1.8 million tonne stockpile that was produced when the Project was operational between 1999 and 2003. Starting in fiscal year 2012, we expect to sell approximately one million tonnes of iron ore fines per year.

We have executed an exclusive five year sales and marketing agreement covering 100% of our ferrovanadium production with Wengfu, as distributor, and Element, as marketer. Wengfu is a Chinese state-owned enterprise and a leading company in the commodities industry. Element, headquartered in Hong Kong, was founded in 2009 and is focused on the sourcing, marketing and distribution of steel manufacturing-related raw materials, such as ferroalloys, ores and metal scrap. The sales and marketing agreement provides that Wengfu will purchase 100% of our annual ferrovanadium production at prevailing market prices, subject to an agreed floor price and ceiling price for up to a maximum of 65% of our annual ferrovanadium production. Under Our Base Case Model we expect that our long-term cash cost of selling and producing vanadium (after taking into account net income from iron ore fines) will be below the floor price beginning in the year ending June 30, 2012. See "Base Case Model".

As it relates to iron ore fines, MVPL has executed a five year sales and marketing agreement with Tennant Metals, an Australian company that specializes in the sourcing and physical supply of base metals and bulk commodities, to market and sell at market prices our iron ore fines produced from calcine tailings to the steel industry. MVPL has also executed a five year sales and marketing agreement with Cotrading, a U.K. based bulk commodity marketing firm with experience in marketing coal, coke and iron ore to the steel and related industries, for the marketing and potential sale of the iron ore product that we may produce from blending our iron ore fines, magnetite concentrate and other waste material to sell to the global heavy aggregate production and pipe coating market. See “—Sales and marketing” for additional information regarding our marketing and sales contracts.

History of the Project and construction timeline

The Windimurra vanadium deposit was first discovered in the late 1960s and actively mined from 1999 to 2003 by a joint venture between Precious Metals Australia Limited (“PMA”) and Xstrata plc (“Xstrata”). The Project was adversely affected by lower than expected production during its prior operations due to the over-grinding of ore as well as the use of a suboptimal blend of transitional and oxidized ore to feed the vanadium processing plant. The mine did however produce approximately 7.2 million tonnes of ore that was processed into 13,000 tonnes of vanadium pentoxide (“V₂O₅”) during its operation from 1999 to 2003. For a variety of reasons, including the capital costs required to implement design improvements necessary to achieve target production levels, the costs per tonne of vanadium pentoxide produced, and the low vanadium market prices during the period of operation as discussed below, Xstrata closed the mine and plant, first putting it on care and maintenance in April 2003 and then completely shutting down the operation in 2004. Following the shutdown of the plant, Xstrata proceeded to dismantle the Project and removed the majority of the equipment from the site. The dismantling of the rotary kiln was stopped by court order, resulting in the retention of the kiln and leach vats, although all supporting infrastructure for the kiln, such as the kiln off gas system was removed. Xstrata’s equity stake in the Project was transferred to PMA in partial settlement of a legal dispute between PMA and Xstrata.

Prior to the commencement of operations by PMA and Xstrata, the historical average price of vanadium was US\$16.79 per kilogram from 1995 to 1999. During the period of operations, however, the price of vanadium reached historical lows, with an annual average price of US\$7.73 per kilogram in 2002 and an average price during the life of operations of US\$9.41 per kilogram from 1999 to 2003. The low price is believed to be due to an increasing surplus in the vanadium market since 1998 primarily caused by high rates of supply growth in China and to a lesser extent Russia, in conjunction with the reduction in demand due to the Asian financial crisis. The shutdown of the plant was followed by a period of vanadium supply shortages and demand growth, which caused vanadium prices to rise to an average of US\$70.94 per kilogram in 2005. In April 2005, vanadium prices rose as high as US\$125.50 per kilogram. At January 21, 2011, the price of vanadium was US\$30.88 per kilogram.

In 2005, PMA transferred ownership of the Project to MVPL, which was in the vehicle it formed in a joint venture with Noble to re-develop the Project. Noble also entered to an offtake agreement for the Project’s vanadium product. In December 2007, PMA was renamed Windimurra Vanadium Ltd (“WVL”). In 2008 and 2009, MVPL invested A\$320 million to redevelop the Project. MRL also built a new crushing and beneficiation plant for the Project under a build, own, operate and transfer agreement.

By the beginning of 2009, the Project was approximately 85% complete but, in February 2009, construction cost overruns caused MVPL to have insufficient funds to complete construction of the Project and WVL and MVPL determined that they would be unable to meet their financial obligations. Without the ability to raise further funding as a result of the global financial crisis, MVPL entered voluntary administration and receivership. At that point, construction work ceased and the Project was put on care and maintenance.

MVPL exited administration and restructured its capital structure in September 2010 through the following transactions: (i) the equity interests in MVPL held by WVL and Noble were transferred to Atlantic Holdings, (ii) MVPL’s senior lenders agreed to a modification of their debt and reduction in principal amount from US\$90 million to A\$90 million aggregate principal amount of senior secured debt of MVPL due in 2014, and (iii) in return for providing a A\$50 million secured debt facility to MVPL and the issuance

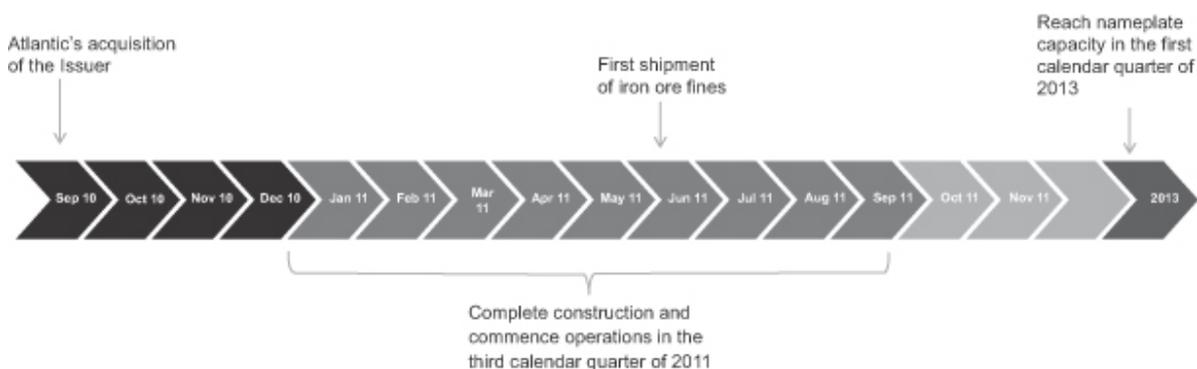
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of shares in Atlantic to MVPL's mezzanine lenders, Atlantic received the remaining equity in Atlantic Holdings.

Immediately upon MVPL's exit from voluntary administration and receivership, MRL sold its 27.5% equity stake in Atlantic Holdings to Atlantic for A\$16 million. In addition, immediately upon the exit from voluntary administration and receivership, MVPL entered into an agreement with MRL to purchase the Project's crushing and beneficiation plant and to satisfy all other amounts owed to MRL, through the payment of approximately A\$64.9 million. Once MRL receives the total payment for the crushing and beneficiation plant, the legal and beneficial title of the plant will be transferred to MVPL.

As a result of the voluntary administration and receivership and the transactions following voluntary administration and receivership, Atlantic acquired 100% of Atlantic Holdings (subject to the deferred payment of A\$13 million still outstanding) and thereby indirectly 100% of MVPL, and, consequently, the Project.

We have recently restarted construction on the Project. We expect to complete construction and commence operations in the third calendar quarter of 2011. We expect to reach full nameplate capacity in the first calendar quarter of 2013 as set forth in the timeline below. To meet our timeline to commence operations in the third calendar quarter of 2011, we benefit from already having on site or on order all major components that need to be installed, including all long lead time items, such as the ferrovanadium furnaces. In preparing the independent engineering report, BDA reviewed the Project timeline and schedule. BDA considers the schedule for the completion of the Project to be achievable.



Remaining Project construction and startup costs

Approximately 85% of the Project is complete, with all engineering and the majority of procurement complete, which reduces the risk of cost and schedule overruns. The largely completed works include the power station (subject to commissioning), the existing open pit mine and the crushing and beneficiation plant (subject to commissioning and minor refurbishment works). The infrastructure surrounding the mine is also largely complete, such as the gas pipeline to the Project site and the accommodation camp as discussed below under "—Location, transport and logistics." Airstrips capable of servicing the Project are already operational, including the sealed runway at Mount Magnet, located approximately 80 kilometers from the Project. Two unsealed landing strips closer to the Project, which may be used on occasion for smaller planes but are not accessible to large planes, are located approximately 8 kilometers and approximately 36 kilometers from the Project, respectively. In the future, we will consider building an unsealed landing strip closer to the Project to improve efficiencies.

We estimate we have approximately A\$77.7 million of construction work remaining on the Project. We have budgeted an additional A\$19.4 million contingency, which represents 25% of total construction costs. The amount of budgeted construction costs will be held in a dedicated construction account and the amount of budgeted contingency will be held in a dedicated contingency reserve account, which may only be accessed when the construction account has been exhausted. Withdrawals from both accounts will be subject to monitoring by an independent engineer to ensure they are only made if we have sufficient funds to complete the Project. In the opinion of BDA, the estimates of initial capital costs have

been prepared using appropriate methodology and pricing data and the total estimate is reasonable when the contingency is included. The contingency is considered by BDA to be adequate.

We will be undertaking construction works based on the original engineering plans as refined by additional reviews since we purchased MVPL. We have appointed PinC, a project management consultancy based in Perth specializing in project management and project control services, to manage the remaining construction activities as part of an integrated owner's Project team. We have elected not to retain the firm that managed the design, engineering and construction of the Project prior to MVPL's administration, as the design and engineering work on the Project is substantially complete and we expect that the control of costs and management of construction will be more effective with a specialized project management firm than it would be with an engineering and design specialist. PinC has visited the Project site and currently has personnel at the Project site to monitor Project construction. In consultation with us, PinC has prepared a project execution plan describing, among other things, the organizational structure and roles and responsibilities of our Project team and the proposed contracting strategy for the remaining construction work. PinC has also prepared a day-by-day schedule for the remaining construction and commissioning activities.

The table below summarizes our master control budget for construction and startup costs, as developed in conjunction with PinC. As of December 31, 2010, we have incurred approximately A\$1.6 million of the budgeted costs set out below.

(Dollars in thousands)

Construction works remaining prior to commencement of operations

Vendor packages.....	A\$ 18,015	US\$ 17,820 ⁽¹⁾
Structural, mechanical and piping.....	16,734	16,553
Electrical and instrumentation.....	13,469	13,324
Project management.....	6,570	6,499
Civil construction.....	3,500	3,462
Owner's costs	1,595	1,578
Other	17,825	17,632
Total construction costs	77,708	76,868
Startup costs ⁽²⁾	11,748	11,621
Total	A\$ 89,456	US\$ 88,489
Contingency of 25% of total construction costs	A\$ 19,427	US\$ 19,217

(1) For convenience, the financial data contain translations of certain Australian dollar amounts into U.S. dollars at the noon buying rate on January 21, 2011, which rate was A\$1.00 = US\$0.9892.

(2) We expect to incur startup costs for the commencement of operations, such as costs relating to the purchase of additional vehicles and spare parts for the crushing and beneficiation plant and vanadium processing plant. We will also incur startup costs for the first key supplies and transport and integration of supplies used in the processing of vanadium.

Some of the budgeted major capital costs in our construction work include the following:

- *Vendor packages:* We have budgeted for the procurement of additional equipment and services for the Project, some of which will be equipment for the vanadium processing plant. We have on site or on order all long lead time items required for Project completion. We also have budgeted for the settlement with strategic suppliers relating to incomplete purchase orders and supply contracts entered into prior to MVPL's voluntary administration and receivership. For instance, we expect to pay the suppliers of previously installed equipment and certain specialized service providers, including for equipment in the vanadium processing plant and the power station. While we have title to the majority of this equipment without any encumbrances as a consequence of MVPL's receivership and administration, we expect that paying for this equipment is necessary to maintain productive relationships with our strategic suppliers. We expect paying for the equipment will help ensure that we have access to the specialized knowledge of the suppliers if the equipment needs to be altered or repaired in the future. PinC is helping to manage the resolution of the issues associated with the settlement with the strategic suppliers.

- *Structural, mechanical and piping:* While we have completed nearly all of the structural works on the Project, we have budgeted for approximately A\$16.7 million primarily for the completion of work in the vanadium processing plant, such as piping for various parts of the processing plant and a bagging plant for packaging ferrovanadium. We have contracted the majority of the remaining structural, mechanical and piping works to Kerman on a cost reimbursable basis. Kerman is an experienced design and construction firm in Western Australia that has design and construction project experience and its clients are among Australia's largest companies in the resources, processing and manufacturing sectors.
- *Electrical and instrumentation:* A large component of the remaining work will be the implementation of the electrical cabling and instrumentation in the vanadium processing plant. We have budgeted for approximately A\$13.5 million for the remaining electrical and instrumentation work. We have contracted with EC&M for the remaining electrical and instrumentation works on a schedule of rates basis. EC&M is a leading Australian electrical and instrumentation group providing engineering construction and maintenance services to the resources, energy and infrastructure sectors. EC&M was the electrical contractor for the previous owners and brings a significant level of background knowledge on the Project to the electrical work required to be completed.
- *Project management:* We intend to manage the remaining construction and engineering work in-house, with the assistance of PinC. For PinC's services and other project management services, we have budgeted for approximately A\$6.6 million in fees.
- *Civil construction:* We have budgeted for approximately A\$3.5 million for the remaining civil works on the Project, which primarily relate to completing construction of the barren liquor pond, tailings storage facility for iron ore fines and the tailings dams. We have contracted Minepower to complete the civil works on the Project. Minepower is a Western Australian owned business specializing in open pit mining and earthmoving solutions.
- *Owner's costs:* We have budgeted for approximately A\$1.6 million primarily for our own management team, such as salary, and the costs of transportation and accommodation for our personnel during the pre-production period.
- *Other:* We have budgeted for additional costs relating to the completion of the crushing and beneficiation plant and other common Project costs, such as costs relating to accommodation and airfares for contractors, garbage vehicles and collection, and temporary offices. We have also budgeted for additional construction costs to cover areas where available information is insufficient to estimate costs with a sufficient level of confidence. For instance, we may have to incur costs for the refurbishment of existing equipment in the vanadium processing plant.

We have entered into construction, service and acquisition contracts representing approximately 54% of the total budgeted construction costs of the Project before contingencies.

Business strengths

We believe we are well positioned to achieve our objective of becoming a major vanadium producer generating strong cash flows by building on our key strengths, which include:

Favorable industry dynamics. We expect that the growth in steel demand will drive growth in the ferrovanadium market. Ferrovanadium is the form of vanadium used in steel production and the steel industry, which accounted for approximately 87% of vanadium consumption in 2009. The addition of ferrovanadium to steel raises its yield strength. This makes ferrovanadium an important ingredient in the production of concrete reinforcing bars ("rebar") for use in high rise buildings, high strength steel for use in the construction industry, oil and gas pipelines, as well as certain tools and automotive parts. Based on our review of industry analysts' reports, we expect steel based vanadium demand to increase in the next decade.

We expect that growth in demand for vanadium will be fueled by the greater use of vanadium infused steel in developing countries including Brazil, Russia, India and China. While Chinese vanadium demand

is largely satisfied by domestic vanadium sources, an increase in Chinese demand may affect Chinese net exports of vanadium, and, as a result, impact global supply and demand.

Vanadium is also used in a variety of applications besides steel production. Approximately ten percent of global vanadium consumption is used as an alloying agent for titanium. For example, vanadium is increasingly being used as an alloy with titanium in modern commercial and military aircraft, such as the Airbus A380 and the Boeing 787 Dreamliner. The chemical industry, which currently represents approximately three percent of global vanadium consumption, is also expected to increase its use of vanadium in the manufacturing of catalysts and long-life batteries such as vanadium redox batteries, which can store energy on an industrial scale, and vanadium lithium phosphate batteries, which have the potential to be used in electric cars in the future.

Constrained sources of new supply in the medium term. In addition to strong demand, we believe there are a limited number of new primary vanadium sources that will have a substantial impact on the supply of vanadium. Based on our review of industry analysts' reports, the only vanadium mine projects outside of China expected to come online in the near to medium term are our Project and a vanadium project in Brazil, the Maracas project, which is being developed by Largo Resources. Largo Resources is currently in the process of securing funding for the Maracas project, with the latest guidance provided by Largo Resources indicating that the earliest possible commencement of production would be in the first quarter of 2013. There may also be other, early stage projects that come online in the medium to long term, which are difficult to predict with certainty at this point in time.

Limited sources of additional vanadium supply may help lead to the tightening of the supply and demand balance for vanadium in the global market, and have a positive impact on price.

Long life production profile. The Project contains one of the world's largest known reserves of vanadium, with an estimated 97.8 million tonnes of vanadium-bearing ore reserves that contain an estimated 257,486 tonnes of contained vanadium. The Project's reserves are part of its measured and indicated resource of approximately 309,900 tonnes of contained vanadium. These resources are sufficient to provide 24 years of production at design capacity after taking into account vanadium recovery factors. We expect to extend our resources through additional exploration drilling along our additional 21 kilometer strike and to convert exploration licenses into mining tenements to allow us to extend the Project's mine life. We expect to spend approximately A\$350,000 per year on exploration for the first three years after commencement of operations and approximately A\$600,000 per year for the following two years.

Low cost producer. We expect to be a competitive, low cost producer of vanadium. We expect the Project's mining costs to be a small portion of overall expenses with respect to the production and sale of vanadium products (approximately 15% at nameplate capacity) due to the simple and straight forward open-pit mining operations and the nature of our ore body, which requires the incurrence of minimal stripping costs to be incurred before mining of the ore can commence in the existing pit. We also expect the Project's processing, logistics and other operating costs to be competitive due to its location and the supply contracts we have put in place for the Project. Due to the high value and small tonnage of our vanadium output, rail and special purpose port facilities are not required to transport our products to market. In addition, we have entered into gas supply and long term gas transportation arrangements.

Our operating costs are expected to be offset in part by income from sales of the iron ore fines by-product we expect to produce from calcine tailings as part of the mining and processing of ore into our ferrovanadium product. At nameplate capacity, the Project is expected to generate approximately one million tonnes per year of iron ore fines from calcine tailings (with an expected average iron content of approximately 55%), which we intend to sell primarily in to the steel industry.

As a result of our cost-effective mining operations, logistics and transportation arrangements, as well as the opportunity for by-product revenues, we expect to be a competitive low cost producer of vanadium.

Low regulatory and technical construction risk and significant prior capital investment. The mining tenements, much of the infrastructure and all of the governmental approvals necessary for the Project to

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be constructed and to operate are already in place, resulting in a shorter construction period and reduced cost and completion risk as compared to a greenfield project development. The Project has obtained all of the mining tenements and associated land titles required to commence the mining and processing operations, which are in good standing. Additionally, much of the ancillary infrastructure necessary for the Project to begin operating is already in place including roads, a gas supply pipeline, a water bore field, a power station and various support buildings, such as an accommodation camp that will support the fly-in-fly-out workforce.

Significant amounts of capital have also already been invested in the Project, which will permit us to complete construction quickly with a relatively small incremental investment. We estimate that the Project is approximately 85% complete, which includes substantially all of the challenging technical engineering and construction work. BDA considers our estimation that the Project is 85% complete to be a reasonable assessment. The major construction works to be completed on the Project are relatively minor and include, among other works, some electrical cabling and instrumentation in the vanadium processing plant, some structural mechanical and piping works, and some civil works associated with the tailings facilities. We have appointed PinC to manage the remaining construction activities as part of an integrated owner's Project team. We expect PinC's expertise and experience in cost control and project management will further reduce the risk of cost overruns and delays.

Substantially enhanced understanding of the ore body and production process compared to a typical greenfield development. Examination of the past operations at the Project site has provided us with enhanced knowledge of the ore body as compared to a greenfield development project. The existing open pit, down to a depth of approximately 40 meters, allows us to visually inspect the behavior of the ore body across the pit cross section and provides more insight than mere interpretation of drilling results. Further, the exposed ore body allows us to sample the reserve at multiple points along the strike, from which we can draw additional inferences across the remaining reserve.

In addition, our analysis of production problems that were experienced during the prior operations have enabled us to optimize certain aspects of the vanadium processing facility to address engineering deficiencies that led to lower than expected recoveries in processing. As a result, the crushing and beneficiation plant has been redesigned to increase recoveries of magnetite that is processed into ferrovanadium, and have upscaled the kiln offgas system, burner and fans to increase kiln availability. We believe we are in a better position than the previous plant operators and have mitigated a number of risks which would normally be present in a greenfield development project.

Highly qualified existing technical and operations team. Our management team has significant experience both with the Project as well as with other vanadium projects around the world, which we expect will allow us to maximize the Project's potential. The operations team is lead by Michael Marriott, our Managing Director, who has over 35 years of experience in the resources industry and has experience in the commissioning and ongoing management of complex resources projects. Prior to his appointment with MVPL, Mr. Marriott was the CEO and COO of Consolidated Minerals Limited, a major manganese, nickel and chrome producer in Western Australia. In addition, he previously held positions at major resources companies, including senior roles at DRDGOLD / Emperor, Lonmin Zimbabwe, Ashanti Goldfields, Cluff Resources and Anglo American where he was responsible for developing resources projects from early stage exploration through to mature business optimization and rationalization.

Our processing manager, Jan Kapp, and operations supervisor, Neels Breytenbach, have significant experience in the mining and processing of vanadium, each having previously worked in open pit mining environments, including South African vanadium mines. Mr. Kapp has 12 years mineral processing experience, including nine years in the vanadium industry and Mr. Breytenbach has 18 years experience in the vanadium industry.

Additionally, we believe our understanding of the ore body and processing of ore will be further enhanced by our chief geologist, Colin Arthur, and chief chemist, Damien Phelan, who each have prior experience working with the Windimurra vanadium ore body. We intend to continue to build our strong operational management team by recruiting professionals with operational experience at vanadium mines, with a view to optimizing our mine plan and processing recoveries.

Location, transport and logistics

The Project site is located approximately 400 kilometers east of Geraldton, 600 kilometers northeast of Perth and 80 kilometers southeast of Mount Magnet in the East Murchison Mineral District of Western Australia. Ferrovandium will be delivered containerized to overseas customers through the Port of Fremantle, near Perth, and iron ore fines will be delivered in bulk to overseas customers through the Port of Geraldton. Key raw materials will be delivered to the Project site via these two ports.

The Port of Fremantle has regularly scheduled containerized shipping services and, via key transit ports, shipments may be made to the key markets that are expected to be the most important sources of global demand for our ferrovandium. The Port of Geraldton specializes in transport of bulk materials and handles significant tonnage of iron ore to key international markets. Total port capacity for our iron ore fines is currently expected to be one million tonnes per year.

Both ports are readily accessible from the Project by all weather roads. Due to the high value and small tonnage of our vanadium output, rail and special purpose port facilities are not required to transport our vanadium products to market. We expect to contract trucking services for the delivery of our products to both ports and there is a number of trucking service providers available in Western Australia.

The Project is also serviced by commercial and charter air services (approximately 1.25 hours flight duration) from Perth to Mount Magnet, followed by an approximately 80 kilometer transfer by bus. In the future, we may contract a flight service provider to provide air services to and from Perth in support of the Project's fly-in-fly-out program ("FIFO"). Two unsealed landing strips closer to the Project, which may be used on occasion for smaller planes but are not accessible to large planes, are located approximately 8 kilometers and approximately 36 kilometers from the Project, respectively. In the future, we will consider building an unsealed landing strip near the Project to improve efficiencies.

The accommodation camp is approximately four kilometers from the Project mine and has over 200 rooms with extensive recreation facilities for the construction workers performing the remaining construction and for our mining and processing workers. Once the Project is operational, we expect the mining activities will operate 12 hours per day and the vanadium processing plant will operate 24 hours per day. Workers are expected to work 12 hour shifts.

Geology and mineralization

Regional setting

The Windimurra vanadium deposit is located within the "Windimurra Complex," which is a large differentiated and moderately fractionated layered gabbro intrusion of over 2,000 square kilometers and is the largest single body of gabbroid rocks in the Yilgarn Craton of Western Australia. The Windimurra Complex is situated in the Murchison granite greenstone province of the North West Yilgarn Craton of Australia. The Windimurra vanadium deposit is situated on a down-thrust, internal wedge of the Windimurra Complex, known locally as the Shephard's Discordant Zone (the "SDZ").

Local setting

MVPL has mining and exploration tenement holding ownership of 100% over the northern 25 kilometer strike length of the SDZ. The 25 kilometer strike length of the stacked vanadiferous magnetite package is readily identified from standard magnetic surveys, and is a prominent regional feature.

Exploration

The Windimurra area has been the subject of exploration for a variety of minerals including nickel, platinumoids and vanadium. Exploration and research has been carried out specifically for vanadium since the 1960s, with the first detailed work being carried out by Hawkstone Minerals (1973-1974). WVL pegged a 25 kilometer strike length of the deposit in 1985, and conducted two extensive phases of exploration and resource evaluation in 1989-1991 and 1997-1998, culminating in a high grade vanadium mineral resource being defined for an internal 6 kilometer strike length in 1998. WVL completed another drilling program to further extend the resource along strike in 2006-2007 and undertook a further drilling

program to infill the central resource area in 2008. Also in 2008, four deep diamond drill holes were drilled along the central and northern resource areas to allow detailed geological knowledge of the stratigraphy as well as allow detailed metallurgical testwork to be undertaken. The table below summarizes exploration to date on the Project, excluding the exploration by Hawkstone Minerals in 1973-1974.

Year	Trenching	Reverse circulation drilling	Deep diamond drilling
1989-1991	6 trenches	841m	92 holes
1997-1998	3 trenches	363m	101 holes
2005-2006	—	—	20 holes
2006-2007	—	—	26 holes
2007-2008	—	—	49 holes
Total	9 trenches	1,204m	288 holes

An improvement in knowledge and grade controls on the deposit was achieved by the completion of a 42 whole reverse circulation drill program within the central core of the mineral resource base. 4,960 meters was drilled between January and February 2008, with assay results and geology data returned by May 2008. The drilling infilled the resource base to an average 50 meter by 50 meter spatial pattern; as well as infilled to a 100 meter by 100 meter pattern the down dip extensions of the resource to a vertical depth of 150 meters (from the previous 90 meters).

All holes were systemically logged in detail. This has allowed for a significant improvement in the local scale geological and mineralogical knowledge and thus controls on the deposit.

The use of the above techniques has led to the following improvements:

- Definition of continuous high silica and plagioclase waste bands within the main ore zone that are of a dimension to allow selective removal during mining. This has upgraded the vanadium grade of the resource to be mined within the main zone.
- Upgrade in the definition of the oxidation profiles. Historically they were considered to incrementally improve from oxide to fresh material in regular vertical steps of 10 meters. The use of a combination of geological logging, down-hole magnetic susceptibility and down-hole density readings has allowed modeling of detailed profiles not solely based on weathering state, but also the boundaries in the magnetic profiles. This will improve the controls and blending of product feed through the beneficiation process to optimize magnetic recovery of the vanadium into concentrate.
- Upgrade in the specific gravity (in-situ density) database based on geological domaining, which has led to the discovery of an increase in fresh ore.
- Increased ability to interpret local changes in the geological domain boundaries.
- With the increase in the spatial sample density, local scale trends in higher grade portions of the main lode have been able to be interpolated. The result of this is the ability to identify and separately extract higher grade feed packages that can then be blended on the run-of-mine pad to reduce grade spiking and improve steady state operations of the plant.

Proposed mining operations

Mining operations will be undertaken by a mining contractor for three years, helping to defray initial capital expenditures and allowing us to benefit from the experience of an established mining contractor during the initial stages of the Project, albeit with the expense of marginally higher mining operation costs. After three years, we expect to move to an owner-operator model, with the mining equipment leased, as assumed in our Base Case Model, or purchased to replace the fleet provided by the contractor. Mining operations will be based on conventional load-haul dump open-pit methods on a single-shift, single-fleet basis. Mining activities will operate twelve hours-a-day, seven days-a-week. We expect that the majority of the oxide material will be able to be free dug, while all transitional and fresh materials will require drill and blasting on 5 meter vertical levels known as benches. During the life of the mine, we expect that a

minority of all mining will be free dug and the majority will require blasting. Excavation will be undertaken on 2.5 meter sub-benches to allow selective ore mining. We expect to incorporate more fresh ore than the previous operation, which we expect will result in significant improvements in magnetite recoveries in the beneficiation plant.

A licensed explosives magazine is in place, and a workshop is available to allow fleet maintenance to be undertaken on site by our personnel.

Our mining contractor will be required to provide a suitable mining fleet, however, we expect the mining fleet will comprise an excavator, two wheel loaders, three 90 ton haul trucks, with standard ancillary support from dozers, graders and water carts. In addition, a number of ancillary pieces of equipment such as a grader and small bulldozer will be used for maintaining roads, waste dumps, the calcine dump and site areas. The in-pit equipment will also include a blast hole rig for mining in fresh rock and a blast truck for transporting ammonium nitrate and charging blast holes. A water cart (capacity of 10,000 liters) will be used for dust suppression in the pit and around the plant.

Pit design

The pit design is illustrated below.



Global pit design, inclusive of deep Central Area Pit

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3D configuration of Central Pit Design



The planned pit length is 3.67 kilometers and divided into the Central, Southern and Northern areas. The Southern and Northern cutback extension of the existing pit will be mined to a vertical depth of 80 meters and the Central area has a maximum pit vertical depth of 155 meters. An average blend of 10% oxide, 25% transitional and 65% fresh ore is expected to be achieved over the life of the operation.

Each mining area has an independent ramp access system allowing ore to be accessed and mined from any of the three pits at any stage of the project life. The footwall of the pit follows the geological contact with no undercuts. The design incorporates fence catchments placed at 30 meter vertical intervals. The design can be modified to incorporate a step-ladder configuration on 5 meter benches if deemed more cost effective.

Optimization of the design for the selected northern cutback section of the revised life of mine plan has resulted in splitting the cutback into two main ramp drop-ins, with the first commencing from a central location of the cutback, ramping north. The drop-in has been tiered to maximize the speed at which the pre-stripping can expose the transitional and fresh ores at depth.

The pits have been redesigned, in light of the need to ensure the preservation of the heritage sites, until renewed approval is granted to remove.

Tailings

Tailings are the waste materials left over from the production of a primary product. Our vanadium processing will create three types of tailings:

- *Primary tailings:* These non-magnetic tailings contain the material that is rejected from the beneficiation plant as non-magnetic and consists mainly of clay type gangue material. These tailings are discharged in a slurry form into the Non-Magnetic Tailings Storage Facility. The facility will be monitored on a quarterly basis by a network of ground water bores, which are located to provide information on the impacts from the tailings facility to the local aquifer in terms of water quality and water level.

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- *Calcine tailings:* This by-product is generated after the magnetic concentrate is fed to the kiln, roasted and then transferred to vats where the vanadium is leached off into solution. The product is essentially hematite and also contains sodium, titanium, silica and residual vanadium. After leaching, the calcine is transferred to a lined storage facility awaiting further processing. This storage facility will be managed to remove leachable sodium salts and monitored for total suspended particulates or dust and vanadium dust. The dust will be suppressed by the installation of sprinklers, which will maintain moisture content on the surface of this facility to prevent the formation of dust and water percolating through the storage facility will be returned to the process plant. Soil quality in relation to the vanadium content will be monitored at specific sites on a quarterly basis to confirm that there is no impact from the facility. A network of ground water monitoring bores is also present, which will also be monitored on a quarterly basis.
 - *Barren solution:* This waste product is the residual liquor remaining after the vanadium has been precipitated out of the solution. The barren liquor is a solution of sodium sulphate and ammonium sulphate containing low levels of soluble vanadium. During the previous operation of the Project, barren liquor was deposited in a lined evaporation dam. An additional barren liquor dam facility has been designed with an improved liner system of 1.5 millimeter HDPE liner on a layer of compacted non-magnetic tailings. The new barren liquor dam facility will have a network of ground water monitoring bores which will be sampled quarterly.

The tailings facilities are more than half complete.

Processing

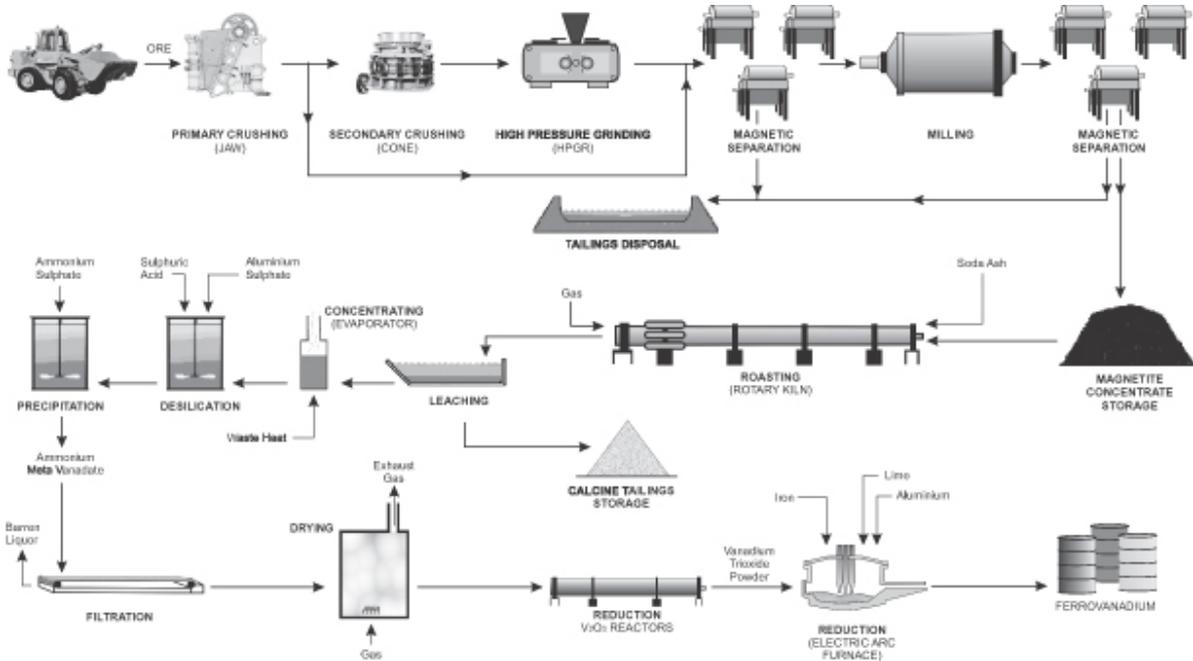
Our new plant will have three separate components: a crushing and beneficiation plant (which has already been built by MRL), a roasting and leaching (hydrometallurgical) plant and a ferrovandium (pyrometallurgical) plant. All of the plants are already built or in advanced stages of construction.

The purpose of the crushing and beneficiation plant is to crush, grind and separate the vanadium bearing ore from the mined ore body in which it is contained. The crushing and beneficiation plant includes the use of high pressure grinding rolls. The output of the crushing and beneficiation plant is vanadium-bearing magnetite concentrate.

The roasting and leaching plant processes the magnetite concentrate first by roasting it in the rotary kiln in the presence of dry soda ash and then leaching out the converted water soluble vanadium from the roasted product. Precipitation of ammonium metavanadate ("AMV") takes place through the introduction of ammonium sulphate. During the roasting and leaching process, calcine tailings are produced, which have been oxidized from a magnetite to a form of hematite (which we describe as iron ore fines suitable for sale to the steel industry) during the kiln process. The iron ore fines will be taken from the storage facility, screened for size (as required) and loaded onto a truck for transport to the Port of Geraldton for delivery to iron ore customers.

In the ferrovandium plant, the AMV is converted to vanadium trioxide in a reactor furnace. This compound is then reduced in an electric arc furnace where burnt lime, steel scrap, recycled fines and aluminum are added to produce ferrovandium, an alloy containing approximately 80% vanadium metal with approximately 20% iron. The ferrovandium will be crushed and screened to produce the required product sizes, packed for shipment in either one tonne bulk bags or steel drums per customer requirements, sampled at the laboratory for quality control purposes and then strapped onto pallets for shipment. The roasting and leaching plant and ferrovandium plant are equipped with appropriate gas scrubbing and dust handling equipment to control emissions in the plant.

The process flow diagram below illustrates the conventional vanadium processing methods and technology that will be used for the Project.



A number of gaseous waste streams will be emitted as a by-product of operating the plant. The principal atmospheric emissions from the process plant will be oxides of nitrogen, carbon dioxide, water and sulphur dioxide. All points of emissions will be controlled to ensure strict compliance with license limits and will be monitored on a quarterly basis pursuant to our Environmental Management Plan.

Iron ore fines production

We believe that we have a significant opportunity to sell iron ore fines produced from the vanadium production process into various markets. The ore body at Windimurra is essentially a magnetite deposit. During the roasting and leaching process, this magnetite largely gets converted to a form of titanohematite.

The iron ore fines can be taken from the storage facility as appropriate and either further screened for size to meet specifications or loaded straight onto a truck for transport to the Port of Geraldton for shipment to customers. Further, we will consider washing the product to recover remaining vanadium in the iron ore fines prior to shipment, depending on the level of vanadium that remains in the product. We expect to produce approximately one million tonnes of iron ore fines per year at nameplate capacity from these calcine tailings.

We currently have an existing stockpile of approximately 1.8 million tonnes of iron ore fines (JORC compliant) from the mine's prior operations. The existing stockpile grade is around 51.4% iron and the iron ore fines that we produce from our own operation will be higher grade, expected to be around 55% iron due to significant differences in our operation compared to the previous operation, including:

- we expect to undertake selective mining of ore (and discarding of high silica waste units) compared to the bulk mining operation conducted during the previous operation;
- we are focusing on "fresh" ores, which exhibit superior magnetic susceptibility, rather than the "oxidized ores" mined during the previous operation. Superior magnetic susceptibility drives improved recoveries of both vanadium and iron in the beneficiation plant; and

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- we have redesigned the crushing portion of the plant to prevent overgrinding, which we expect will also further improve recoveries.

We expect to sell this iron ore fines product as pre-sinter burden in the sinter plant stage for blast furnaces producing steel. The major market for our iron ore fines for the steel industry is expected to be China.

We may also have the opportunity to produce a product by blending our iron ore fines byproduct with magnetite concentrate that is produced by the crushing and beneficiation plant and other waste material containing titanomagnetite from the mine pit to sell into the heavy aggregate industry for use in heavy concrete production, primarily for coating underwater pipes. The most important specifications for a product for use as heavy aggregate are sizing, specific gravity and low silica and alumina.

The specifications for heavy aggregate are difficult to achieve, however, should we succeed in meeting these specifications, any product able to be sold as heavy aggregate is likely to be sold at prices higher than are available if sold into the steel industry. This is because in the heavy aggregate market, the actual iron grade of the product is less relevant. As a result, although the iron grade of our product is expected to be lower than benchmark, which would lead to lower than reference prices if sold for use in the steel industry (i.e., pre sinter burden), this does not affect the price that may be achieved in the heavy aggregate market. The impact of lower benchmark prices has been reflected in the Base Case Model.

Due to the required specifications, few iron ores are suitable for use as heavy aggregate, which also creates a natural barrier to entry into the heavy aggregate market from other producers.

Port capacity is the expected limiting factor on our iron ore fines shipments. While we expect to produce approximately one million tonnes of iron ore fines from calcine tailings per year, total port capacity through the Port of Geraldton is expected to be initially limited to one million tonnes per year, so we will focus our efforts on the markets in which we expect to derive the highest profits, while retaining the flexibility to switch to other markets.

Improvements from prior operations

We have made numerous improvements to the prior processing techniques employed at the Project from 1999 to 2003, including:

- We have added a ferrovanadium plant. When the original plant was built, the vanadium industry was more segmented than it is today. At that time, the industry mostly produced vanadium pentoxide which was then shipped to refiners who further processed the vanadium pentoxide into ferrovanadium. Xstrata, the prior operator of the Project, was one of the largest refiners of vanadium pentoxide in the world, with significant operations in South Africa. Currently, almost all vanadium producers produce the higher value ferrovanadium themselves, and most of vanadium products sold consist of ferrovanadium. We expect it will be an advantage to sell vanadium into the larger and more liquid ferrovanadium market as compared to the market for vanadium pentoxide. However, we have the ability to add a vanadium pentoxide production facility in our processing plant in the future if market dynamics changed.
- We have changed the grinding, crushing and beneficiation process to minimize over grinding and sliming, which had an adverse effect on recovery during the prior operations. We now have a greater understanding of the optimal blend of fresh to oxidized ore to feed the processing plant to maximize recoveries. In addition, the new crushing and beneficiation plant has been designed to produce a larger tonnage of concentrate while treating a wider variety of ore types. For instance, using high pressure grind rolls in the crushing and beneficiation plant are expected to help prevent over grinding.
- We now have a new dedicated power station with improved generation efficiency and capacity. Due to the availability of gas from the existing gas pipeline, it is less expensive to generate power on site than to build transmission lines to transmit power from the nearest point of connection to an independent electricity provider's power grid. At the original plant, a gas-fuelled reciprocating engine power station was built and operated on-site by a third party operator. This facility proved unable to properly match its output to the required loads of the original plant. We now have a gas fueled power station with three solar gas turbines and four reciprocating gas engines, allowing for a wide range of operating loads with

high availability. While not assumed in the Base Case Model, an evaporator may be used in the future to recover waste energy from turbine exhaust, for increased overall energy efficiency, or used in a future salt recovery plant to materially reduce the Project's ongoing soda ash requirements. Finally, spare civils and switchgear is already installed to allow the easy insertion of additional turbines should the need ever arise.

- We have improved our kiln availability by an expected 20% by fitting the kiln with an upgraded burner, a larger demister system and an increased capacity offgas fan.
- We will roast magnetite concentrate with soda ash (and have secured a soda ash agreement for this purpose) instead of sodium oxalate, which is expected to improve kiln capacity by 2-3 tonnes per hour, due to a reduced amount of water to be evaporated in the kiln. The oxalate previously used contained 45% water which took up volume in the kiln whereas soda ash has negligible water content, allowing for a greater volume of magnetite concentrate to be roasted.

Mining and processing recovery

We project vanadium recoveries ranging from 64-72% on an annualized basis to the magnetite concentrate produced in the beneficiation section of the plant, based on the recoveries achieved in testwork on samples representing successive 10 meter intervals from surface and on testwork carried out in 2007 and 2008 on oxide, transition and fresh composite samples from more recent drilling. The projected average vanadium recovery to magnetics over the life-of-mine is 67.1%.

We expect we will have an overall vanadium recovery of around 51%, which will fluctuate depending largely on the degree of oxidation of the ore and the recovery of magnetite to the magnetic concentrate.

Overall vanadium recovery in the plant is dependent on recovery to magnetics, on losses in the hydro-metallurgical plant and on vanadium trioxide conversion to ferrovandium. We project vanadium recoveries in the hydrometallurgical plant of:

- Vat leach: 84% relative to vanadium content of kiln discharge
- De-silication to AMV production: 95.3% relative to vanadium content of de-silication feed
- FeV furnace: 94% relative to vanadium content of furnace feed

Losses in the hydrometallurgical plant include leaching losses of 15% relative to the kiln discharge, and soluble, de-silication and precipitation losses of about 5%. We do not envisage that the coarsening of the magnetite concentrate will affect metal recovery in this section of the plant.

BDA inspected production data from the previous operation for the hydrometallurgical plant which indicated that hydrometallurgical plant recovery was about 75%. We considered that recoveries in this section of the plant should be similar to those achieved in similar South African vanadium plants and that up to 80% is achievable.

We expect that our processing plant will produce approximately 5,700 tonnes of contained vanadium per year, once ramp up is achieved in the first calendar quarter of 2013. We expect our average steady state life of mine production to be approximately 5,600 tonnes of contained vanadium per year. In addition, we expect to produce approximately one million tonnes of saleable iron ore fines from calcine tailings per year as a by-product from producing ferrovandium. Our planned vanadium and iron ore fines mining and production schedule is set forth in the table below. This production schedule does not take into account the potential opportunity to produce an iron ore product from blending our iron ore fines with magnetite concentrate that is produced by the crushing and beneficiation plant and other waste material containing titanomagnetite from the mine pit to sell into the heavy aggregate industry.

10 Year—Vanadium and iron ore fines mining and production

Item	Unit	2011	2012	2013	2014	2015	2016	2017	2018	2019	20/30	Total
Waste mined	Mt	0.2	2.7	2.5	1.2	3.3	6.3	8.3	10.6	5.8	23.9	64.8
Ore mined.....	Mt	0.1	4.5	4.5	4.4	8.6	5.3	4.9	3.9	3.7	49.7	89.6
Material mined..	Mt	0.3	7.3	7.0	5.6	11.9	11.5	13.2	14.5	9.5	73.5	154.4
Oxide ore to waste dump..	Mt	0.4	2.0	0.9	0.1	4.5	1.2	0.8	-0.3	-0.4	5.5	14.8
Ore to Plant	Mt	0.1	2.0	3.6	4.3	4.0	4.0	4.1	4.2	4.0	44.4	74.8
Ore grade	%V ₂ O ₅	0.51	0.46	0.46	0.45	0.48	0.48	0.49	0.46	0.46	0.48	0.48
V ₂ O ₅ recovery ...	%	0	50	53	53	50	50	50	52	53	50	51
Ferrovandium produced	kt	0.0	3.3	6.1	7.2	6.8	6.8	6.9	7.1	6.8	75.0	126.1
Vanadium production	kt V	0.0	2.7	4.9	5.8	5.5	5.5	5.6	5.7	5.5	60.0	100.9
Iron ore fines produced	Mt	0.00	0.5	0.9	1.1	1.0	1.0	1.0	1.1	1.0	11.2	18.8
Iron ore fines sold	Mt	0.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.7	18.8

Source: BDA

Note: Years are financial years ending June 30; oxide ore to waste dump includes 0.4Mt to surface run-of-mine pad in 2011. This chart does not include the iron ore fines to be sold from the existing stockpile at the Project.

In addition, the following table provides expected recoveries with a reconciliation from ore to final ferrovandium product once the Project is at full capacity.

Process stage components	Units	Quantities/%
Stage one—ore mined to production of magnetite concentrate		
Ore mined.....	Tonnes per year	4,082,000
Ore grade—vanadium pentoxide	% V ₂ O ₅	0.47
Contained V ₂ O ₅ in ore mined.....	Tonnes V ₂ O ₅ contained	19,185
Contained vanadium in ore mined (56% vanadium in V ₂ O ₅)	Tonnes vanadium contained	10,744
Average recovery from ore to magnetite concentrate.....	% of V ₂ O ₅ recovered	67.1
Recovered V ₂ O ₅ in magnetite concentrate.....	Tonnes V ₂ O ₅ contained	12,873
Contained vanadium in magnetite concentrate (56% vanadium in V ₂ O ₅).....	Tonnes vanadium contained	7,209
Reconciliation of contained vanadium pentoxide in magnetite concentrate		
Mass recovery from ore to concentrate	%	25.36
Concentrate produced.....	Tonnes per year	1,035,000
Concentrate grade	% V ₂ O ₅	1.24
Contained V ₂ O ₅ in magnetite concentrate.....	Tonnes per year	12,873

Stage two—magnetite concentrate to recovered AMV

Recovered V ₂ O ₅ in magnetite concentrate.....	Tonnes V ₂ O ₅ contained	12,873
Average V ₂ O ₅ recovery from magnetite concentrate to AMV .	% of V ₂ O ₅ recovered	80
Recovered V ₂ O ₅ in AMV.....	Tonnes V ₂ O ₅ contained	10,299

Stage three—recovered AMV processed into ferrovandium

Remaining V ₂ O ₅ in AMV available for conversion to ferrovandium	Tonnes V ₂ O ₅ contained	10,299
Average recovery of V ₂ O ₅ from AMV to ferrovandium	% of V ₂ O ₅ recovered	94
Recovered V ₂ O ₅ in ferrovandium	Tonnes V ₂ O ₅ contained	9,681
Contained vanadium in V ₂ O ₅ (contains 56% vanadium by atomic weight)	% Vanadium in V ₂ O ₅	56
Contained vanadium in ferrovandium	Tonnes of Vanadium	5,421
Percentage of vanadium in ferrovandium 80	%	80
Ferrovandium 80 (“FV80”) produced (FV80 contains 80% vanadium)	Tonnes of Ferrovandium	6,777

Summary—contained vanadium produced and sold

Ferrovandium 80 sold (priced in US\$/kg based on contained vanadium)	Tonnes per year	6,777
Contained vanadium in ferrovandium 80	%	80%
Contained vanadium in ferrovandium sold.....	Tonnes per year	5,422
Total contained vanadium in all products sold	Tonnes per year	5,422
Contained vanadium in magnetite concentrate.....	Tonnes per year	7,361
Contained vanadium in ore mined	Tonnes per year	10,515
Total recovery from magnetite concentrate	%	75
Total recovery from ore	%	50.5

Source: BDA

Note: Based on typical production schedule in financial model

Sales and marketing

Ferrovandium

We have executed a sales and marketing agreement covering 100% of our ferrovandium production with Wengfu, as distributor, and Element, as marketer. Element, headquartered in Hong Kong, was founded in 2009 by former Noble traders and is focused on the sourcing, marketing and distribution of steel manufacturing-related raw materials, such as ferroalloys, ores and metal scrap. Element is financially backed by Wengfu Intertrade Limited and its Singapore based trading entity, Graceland Industries Pte Ltd. Wengfu Intertrade Limited is a subsidiary of Wengfu Group Co. Ltd, a Chinese state-owned enterprise and a leading company in the commodities industry. Wengfu is one of China's largest exporters of ammonia phosphate fertilizers and phosphate chemicals and largest importer of sulphur, sulphuric acid and anhydrous ammonia.

The agreement has a term of five years starting from the first day of commercial production by the Project and may not be terminated without cause other than by mutual agreement. Under the agreement, Element will procure contracts of sale for our ferrovandium product and we will deliver ferrovandium to a warehouse in the Port of Fremantle for transport by Element to customers pursuant to a contract of sale. For each delivery to the Port of Fremantle, Wengfu will pay MVPL an initial payment equal to 80% of the sale price, upon which title of the ferrovandium will pass to Wengfu free of any encumbrances. Upon receipt of an invoice from MVPL pursuant to the settlement statements reviewed by MVPL, Wengfu will pay the balance of the sale price, minus a 3% marketing fee based on the gross sales proceeds, finance costs and direct costs of sale incurred by Wengfu, such as warehouse costs, insurance and loading and

shipping costs. We may have to return part of the initial payment if the marketing fee and costs are greater than the initial payment we received.

The sales and marketing agreement provides that Wengfu will purchase 100% of our annual ferrovanadium production at prevailing market prices, subject to an agreed floor price and ceiling price for up to a maximum of 65% of our ferrovanadium production estimated at the start of each contract year. The ceiling price is subject to an upward annual adjustment. If Wengfu purchases our vanadium product at the floor or ceiling price, it must pay 100% of the purchase price of such product upon delivery at the Port of Fremantle.

Iron ore fines

MVPL executed an exclusive five year sales and marketing agreement with an Australian-based commodities trader, Tennant Metals, for the sale of our existing stockpile of iron ore fines and the iron ore fines we expect to produce from calcine tailings to the steel industry. Tennant Metals is an Australian company that specializes in the sourcing and physical supply of base metals (in refined metal form, or as ores or concentrates), and bulk commodities (such as iron ore, coal and manganese). Under the agreement, Tennant Metals must endeavor to procure contracts of sale that have 85% pre-payment for each shipment and 15% settlement payment once all relevant weighing, sampling and assaying has been completed at the port of discharge. MVPL will pay Tennant Metals a fee based on the actual sales prices secured.

MVPL has also executed an exclusive five year sales and marketing agreement with Cotrading for the potential sale of part of our iron ore product we may produce from blending our iron ore fines, magnetite concentrate and other waste material for the global heavy aggregate production and pipe coating market. Cotrading is a U.K. based bulk commodity marketing firm with experience in marketing coal, coke and iron ore to the steel and related industries. Under the agreement, Cotrading must endeavor to procure contracts of sale that have 85% pre-payment for each shipment and 15% settlement payment once all relevant weighing, sampling and assaying has been completed at the port of discharge. MVPL will pay Cotrading a fee based on the actual sales price secured. This fee increases if the price secured for our iron ore fines is above certain levels. Heavy aggregate is used mainly for the production of heavy concrete for coating sub-sea gas pipelines, or other applications.

Reagents

Processing of ore into vanadium requires several reagents to separate the vanadium from the magnetite and to create ferrovanadium, principally soda ash, aluminum granules and ammonium sulphate. Each of these reagents are described below.

Soda ash

The Project will require approximately 42,000 tonnes of soda ash per year at nameplate capacity. Soda ash will be used in the rotary kiln to help convert the vanadium in the magnetite concentrate to water soluble sodium vanadate which is then leached out in the leach vats. Atlantic entered into an agreement on September 29, 2010, which was assigned to MVPL on January 27, 2010 and expires on December 31, 2013, with Redox Pty Ltd, as the official agent of the American Natural Soda Ash Corporation, a major international supplier of soda ash. The contract includes a fixed price for the first year and a capped rise and fall formula over the life of the contract. This contract is priced in U.S. dollars. The soda ash will be shipped to the Port of Geraldton and trucked to the Project site. We intend to have access to a storage facility at the Port of Geraldton that is capable of holding 10,000 to 15,000 tonnes of soda ash.

Aluminum granules

The Project will require approximately 5,000 tonnes of aluminum granules per year. The aluminum granules will be used to convert vanadium trioxide to ferrovanadium and will be imported through the Port of Fremantle and trucked to the Project.

Aluminum is a widely traded commodity on the London Metals Exchange (LME) and consequently any contract that is secured is likely to be directly linked to the LME price. Accordingly, any contract is most likely to be priced in U.S. dollars.

Ammonium sulphate

The Project will require approximately 19,000 tonnes of ammonium sulphate per year, which is used in the desilication and precipitation process. The Project benefits from the fact that there are numerous sources of locally produced ammonium sulphate in Western Australia, including the Murrin Murrin nickel operation near Kalgoorlie and the BHP Nickel West operation in Kwinana, Perth.

Utilities

In addition to soda ash, aluminum granules, ammonium sulphate and other supplies used in the mining operations and vanadium processing, the Project will require a large amount of natural gas, power and water.

Natural gas

We will use natural gas to fuel power generation, the rotary kiln and other parts of the process plant, which will be supplied by producers from the gas fields in the northwest of Western Australia and transported to the Project via the Dampier to Bunbury Natural Gas Pipeline ("DBNGP") and then the Midwest Gas Pipeline ("MWGP").

The Project's gas requirements are estimated to be approximately 8 TJ per day when the Project is at full production. We have entered into gas supply agreements with major gas suppliers for the supply of natural gas to the Project. The suppliers will supply natural gas which is sufficient in the aggregate to satisfy the Project's base load requirements for operating the kiln and the power station. We expect to enter into further gas supply agreements for any additional gas required for the Project's operation, which we expect to source from the competitive Western Australian gas supply market.

We are also a party to long term gas transport agreements pursuant to which we are able to transport gas we have purchased from suppliers through the DBNGP and the MWGP, which expire in 2023.

Our current gas transportation requirements are satisfied under our current gas transport arrangements, however, at full production we expect to have a shortfall in contracted gas transportation capacity through the DBNGP of approximately 0.6 TJ per day. As a result, we expect to purchase additional gas on a delivered basis or to sublease this gas transport capacity from another customer of DBNGP. In either case, we do not expect any difficulty in sourcing the additional 0.6 TJ per day as the entire DBNGP capacity is approximately 895 TJ per day.

Power

At nameplate capacity, we expect the Project will require 15.1 MW of power at a steady state. The onsite power plant has capacity to meet expected plant requirements as well as flexibility to meet some potential incremental future power requirements. The power plant is fully constructed and is expected to be commissioned during the initial stage of construction.

The power plant for the Project has three Solar Taurus 60 gas turbines nominally rated at 6.7 MW each, and four Jenbacher JGS 616 reciprocating gas engines nominally rated at 2.2 MW each for a total nominal capacity of 28.9 MW. However, due to the expected operating environment (including heat and altitude), each turbine has been downrated to 4 MW and each reciprocating engine has been downrated to 1.8 MW, to produce a total expected capacity of 19.2 MW. Additional power station capacity can be easily and inexpensively achieved by the addition of inlet water cooled evaporative units to the front of the solar gas turbines, which would increase overall energy efficiency.

In addition, the power station contains a black start facility that can be used for supplementary power requirements as well as additional standby generators for the kiln and the accommodation camp.

We expect to engage Zenith Pacific (WVL) Pty Ltd, the company that constructed our power station, to commission and operate the power station. The costs we expect to incur under this contract are included as energy costs in the Base Case Model.

Water

Raw water demand for our new operations will be approximately 3.25 gigaliters per year. It will be provided by an existing bore field which successfully met the project's needs during its previous operation from 1999 to 2003. This bore field has been extended, refurbished and re-equipped with new pumps, power and pipelines. A water processing plant will be commissioned on site during the construction process.

We have current Groundwater Licenses (GWL 161714 and 161706) from the Department of Water which license the extraction of 1.75 gigaliters per year each, for a total of 3.5 gigaliters per year.

Although projections of water-level trends suggest that pumping rates in some bores will need to be reduced after several years, there is additional water in both the shallow and deep aquifers that can be developed to make up any shortfall. MVPL has acquired Miscellaneous Licence L58/35 for Water Exploration and obtained agreement from the underlying tenement holders for additional water resources.

We have installed a sewage facility with the approval of the Western Australian Health Department and to the satisfaction of the relevant local government authority and a permit to use has been granted.

Employees and contractors

We expect that the Project will appeal to a world-class workforce, who will be attracted to straightforward mining operations, the relative proximity of the Project site to Perth compared to other major mining projects, and our accommodation facilities. We have engaged the services of Scotford and Fennessy Executive Search and Consulting to identify individuals who we expect will be able to contribute to the redevelopment and operation of the Project.

Due to the Project's remote location, an accommodation camp was constructed to house approximately 240 persons that is approximately four kilometers from the Project mine. In our total construction budget, we have allowed for the cost of an additional temporary construction camp. All the civil works and piping for such an overflow facility are already in place. We will provide high quality housing for all staff, including ensuited facilities, television and broadband services in each room. Camp services such as water supply, sewage and power will be sufficient to accommodate both normal operating personnel and additional construction personnel.

It is expected that the construction workforce will peak at approximately 200 persons. The permanent workforce will consist of approximately 180 persons. Of these, approximately 43 will be employed in the mine, 80 in the plant and a further 57 in management, administration and technical services. On site workers will work 12 hour shifts, either during the day or at night. Staffing of the Project's operation is based on a FIFO approach, as previously practised.

We expect that a substantial portion of the mining, processing and other non-management employees that we will employ at the Project will be covered by collective bargaining agreements, which may involve unions. We expect to finalize the collective bargaining agreements, which will include a dispute resolution procedure, prior to commencing operations. We expect the dispute resolution procedure to minimize any industrial action that can be taken by employees including, work slowdowns, work stoppages or strikes. Protected industrial action is expected to be limited to extreme safety risks therefore reducing the risk of disruptions to production.

Occupational health and safety

Our health and safety team is working to develop and implement a safety management system to manage the occupational health and safety risks of vanadium mining and processing at the Project. Our Safety Management System is being modelled on Australian standards for risk management and is compatible with internationally recognized systems and standards.

The primary health and safety hazards associated with the Project are: heavy mobile machinery, electricity, noise, dust, confined spaces, work at height, remoteness, and hazardous materials, which include vanadium dust (insoluble and soluble), exhaust gases, furnace off-gases, heavy metal particulates and general non-vanadium dust. These hazards are dealt with by our Safety Risk Management Plan, our Noise Management Plan and our Hygiene Management Plan which specifically addresses how we will manage the potential exposure of our employees and contractors to hazardous materials including soluble vanadium.

As the vanadium is processed from the rotary kiln through to the electric arc furnace, our personnel may be exposed to vanadium trioxide dust, which is a respiratory irritant. Short term effects of high levels of vanadium exposure will present flu like symptoms and longer term effects of high exposure may result in chronic bronchitis or asthma, however we are implementing a stringent biological monitoring system to ensure any employees who are exposed to high levels of vanadium are removed from high risk areas.

We have incorporated engineering controls into the design of the plant to ensure that personnel are not exposed to vanadium above applicable regulatory standard and atmospheric contaminant monitoring programs will ensure that any ineffectiveness of engineering controls is identified and rectified before personnel are exposed to hazardous levels. In addition, employees working in high risk areas of the plant will be required to submit to a biological monitoring programme.

The Project's previous operation involved the handling of the same, or similar materials and we are not aware of any serious harm arising from, or any subsequent claim of liability being made in respect of the handling of these hazardous materials.

An Emergency Response Team, incorporating personnel from across our operations will be trained to respond to all potential emergencies on site, including for example, serious injury, fire and weather. Team members will be trained in advanced life support, industrial fire lighting, confined space entry rescue, breathing apparatus, industrial rope rescue and hazardous chemicals response.

Furthermore, a fully equipped First Aid Facility will be manned by an industrial paramedic, who will be on-call 24 hours a day with emergency support from the Royal Flying Doctor Service. A fully equipped four wheel drive ambulance is available on site for any serious medical emergency and a fully equipped fire truck is also maintained on site. We are confident that our health and safety team will work closely with all levels of our workforce to ensure a safe and hazard free environment through all stages of the Project.

Environmental management

Comprehensive environmental management plans and monitoring programs have already been compiled as part of the approval process, and are being implemented to manage impacts from Project construction and operation. Environmental risk is managed through the site Environmental Management System and the Environmental Management Plan. Our independent engineers consider that the proposed environmental management and monitoring programs are well planned and activities are already being implemented in anticipation of re-commissioning.

Legal proceedings

From time to time, we expect to be involved in claims and litigation arising in the ordinary course of business. We are not currently subject to any claims or litigation that would, individually or in the aggregate, have a material adverse effect on our financial position.

Base Case Model

The presentation in this section (the "Base Case Model") contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under the section "Risk factors".

General

We have prepared the Base Case Model for the Project for the financial years ending June 30, 2011 through June 30, 2015. We have assumed that we will be able to complete construction works and begin commissioning of the Project in the third calendar quarter of 2011. The Base Case Model represents our current assumptions and estimates as of the date hereof of our results of operations from commissioning for each financial year through June 30, 2015. The Base Case Model contains forward-looking statements that involve risks, uncertainties and assumptions, and should be read together with the information contained in "Risk factors," "Selected historical financial information," "Description of the Project".

Other than in compliance with applicable law or regulation, we will not update or otherwise revise the Base Case Model to reflect circumstances existing after its preparation, or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions are not realized, or to publish projected financial information in the future. Furthermore, we do not intend to update or revise the Base Case Model to reflect changes in general economic or industry conditions.

Limitations of the Base Case Model information

The Base Case Model is based on a number of estimates and assumptions that, while presented with numerical specificity and considered reasonable by us, are inherently subject to significant business, economic, competitive, regulatory and other uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control, and on estimates and assumptions with respect to future business decisions that are subject to change. The assumptions disclosed herein are those that we believe are material to the Base Case Model and reflect our judgment as of the date hereof. The Base Case Model is necessarily speculative in nature.

The Base Case Model assumes the successful implementation of our business strategy. No assurance can be given that our strategy will be effective, or that the anticipated benefits from our strategy will be realized in the period for which the Base Case Model has been prepared, if ever.

The inclusion of the Base Case Model herein should not be regarded as a representation by any person that the Base Case Model will be achieved. Investors are cautioned not to place undue reliance on the Base Case Model and should make their own independent assessment of our future results of operations, cash flows and financial condition.

Base Case Model outputs

The following table illustrates the financial measures and ratios from the Base Case Model.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Vanadium sales (tonnes)	—	2,655	4,891	5,776	5,469
Sales of iron ore fines (tonnes)	83,333	1,000,000	1,000,000	1,000,000	1,000,000
Financial measures					
Revenue:					
Sales of vanadium	A\$ —	A\$ 117,461	A\$ 235,926	A\$ 245,016	A\$ 223,462
Net income from iron ore fines ⁽¹⁾	3,845	53,843	63,051	60,641	46,272
Total revenue	3,845	171,304	298,976	305,656	269,734
Operating expenses: ⁽²⁾					
Mining	2,422	27,616	29,509	21,571	21,714
Beneficiation	—	8,955	10,344	10,949	10,714
Marketing and distribution	—	8,093	16,179	16,923	15,469
Reagents and raw materials	479	16,950	33,128	40,266	39,346
Energy	3,522	22,537	29,666	35,190	38,160
Employee expenses	3,361	12,900	13,193	13,193	13,193
Contract services	311	1,648	1,648	1,648	1,864
Sustaining and maintenance capital expensed	403	4,831	5,631	7,231	7,647
Other expenses	15,910	407	407	407	407
Total expenses	A\$ 26,408	A\$ 103,937	A\$ 139,704	A\$ 147,377	A\$ 148,514
EBITDA ⁽³⁾	A\$ (22,563)	A\$ 67,367	A\$ 159,272	A\$ 158,279	A\$ 121,220
Cash costs (US\$)					
Cash cost of vanadium (US\$/kg) ⁽⁴⁾	US\$ —	US\$ 19.87 ⁽⁵⁾	US\$ 13.17	US\$ 11.71	US\$ 14.40
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines ⁽⁴⁾	US\$ —	US\$ 37.51 ⁽⁵⁾	US\$ 23.99	US\$ 19.90	US\$ 20.91

(1) See “—Summary of material assumptions for the Base Case Model—Net income from iron ore fines sales” for more information about our expected sales of iron ore fines, including the expected costs associated with our sales of iron ore fines.

(2) A portion of the operating costs we will incur will be denominated in U.S. dollars and have been converted into Australian dollars at the exchange rates described under “—Summary of material assumptions for the Base Case Model—Foreign exchange rate assumptions.”

(3) EBITDA represents “profit (loss) before financing” which is revenue less administrative expenses, expensed mine development costs and other expenses as it would be calculated from our statement of comprehensive income in our financial statements in accordance with IFRS. For purposes of the Base Case Model, EBITDA is calculated as total revenue less interest revenue less total expenses.

(4) Cash costs are presented in US\$ per kilogram of vanadium produced and include mining, beneficiation, energy, environmental, marketing and administration costs and royalties. As a result, for the Base Case Model, cash costs are derived from the estimated vanadium production and total expenses, and translated to US\$. See “—Summary of material assumptions for the Base Case Model—Foreign exchange rate assumptions.”

(5) Cash costs in the Base Case Model for the year ending June 30, 2012 includes all cash costs for the years ending June 30, 2011 and 2012, excluding transaction costs.

Summary of material assumptions for the Base Case Model

As part of the program of work to establish the technical and economic feasibility of the Project, we prepared a detailed mining schedule and projections for production, revenue and operating costs, and commissioned an independent engineer to provide certain assumptions in the Base Case Model and our life of mine plan.

Price forecasts

The Base Case Model assumes the following price forecasts, which have been supplied to us by industry analysts. With respect to iron ore fines price forecasts, we have taken industry forecasted prices and multiplied them by the expected iron grade (55%) of our iron ore fines produced from calcine tailings for sale to the steel industry and have also allowed for a 10% discount for the expected high titanium dioxide content. Our current stockpile of iron ore fines has an iron grade of around 51.4%. The price forecasts are provided on a calendar year basis, which the Base Case Model applies to the estimated sale of vanadium and iron ore fines on a monthly basis. These figures are then aggregated to generate revenue numbers on a fiscal year ending June 30 basis.

	Years ending December 31,				
	2011	2012	2013	2014	2015
Vanadium (US\$/kg)	US\$34.00	US\$42.50	US\$40.00	US\$29.00	US\$34.00
Iron ore fines (US\$/tonne)	US\$103.5	US\$105.5	US\$104.6	US\$ 90.5	US\$ 71.8

The prices below have been converted to Australian dollars under the exchange rates described in “—Foreign exchange rate assumptions,” which equates to:

	Years ending December 31,				
	2011	2012	2013	2014	2015
Vanadium (A\$/kg)	A\$ 34.34	A\$ 48.85	A\$ 47.62	A\$ 37.18	A\$44.16
Iron ore fines (A\$/tonne)	A\$104.55	A\$121.26	A\$124.52	A\$116.03	A\$93.25

Net income from iron ore fines sales

The Base Case Model assumes that we will sell in the international markets to the steel industry the iron ore fines produced from calcine tailings as a byproduct of vanadium production. The Base Case Model does not take into account the sale of iron ore fines that may be blended with waste material that may be sold to the heavy aggregate industry. The Base Case Model reflects the net income from the sale of iron ore fines based on the following sales volumes, prices and production expenses.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales of iron ore fines (tonnes)	83,333	1,000,000	1,000,000	1,000,000	1,000,000
Total iron ore fines revenue	A\$8,708	A\$112,873	A\$122,881	A\$120,262	A\$104,643
<i>Logistics and marketing expenses</i>					
Logistics expenses	A\$4,167	A\$ 50,000	A\$ 50,000	A\$ 50,000	A\$ 50,000
Marketing expenses	261	3,386	3,686	3,608	3,139
Government royalties	435	5,644	6,144	6,013	5,232
Total expenses	A\$4,863	A\$ 59,030	A\$ 59,831	A\$ 59,621	A\$ 58,371
Net income from iron ore fines	A\$3,845	A\$ 53,843	A\$ 63,051	A\$ 60,641	A\$ 46,272

Foreign exchange rate assumptions

The Base Case Model assumes the following foreign exchange rate assumptions, which are based on the consensus forecast of the U.S. dollar/Australian dollar, as reported on December 5, 2010. The foreign exchange rates are estimated on a calendar year basis. The Base Case Model applies US\$ to A\$ conversions on a monthly basis, which are then aggregated to generate A\$ figures on a fiscal year ending June 30 basis.

	Years ending December 31,				
	2011	2012	2013	2014	2015
Australian dollars per U.S. dollar.....	\$1.01	\$1.15	\$1.19	\$1.28	\$ 1.30

Royalties

The Mining Regulations 1981 (WA) do not currently specify a royalty rate that will apply specifically to magnetite or vanadium that will be produced from our mining tenements. A royalty on magnetite would apply to the iron ore fines we expect to produce. If a mineral is not specifically identified in the regulations, the royalty rate which applies for 'any other mineral' will be applied. The royalty rate applicable to 'any other mineral' is 7.5% of the value if the mineral is sold as crushed or screened material or 5% of the value if the mineral is sold as a concentrate. In some cases, a royalty rate of 2.5% of the value applies to the contained metal in the concentrated mineral that is sold.

Our recent correspondence from the Department of Mines and Petroleum ("DMP") has indicated that the regulations may be amended to include a specific reference to magnetite and vanadium. The DMP proposes that magnetite concentrates will receive a royalty rate of 5% of the value and contained vanadium metal will receive a royalty rate of 2.5% of the value.

Should the proposal by the DMP be accepted by the Western Australian Parliament and implemented into legislation, then a specific royalty will be levied on magnetite which will impact our iron ore fines revenue.

For the purposes of the Base Case Model, we have assumed that the proposal set out in the recent correspondence from the DMP will apply to the iron ore and vanadium which is produced from our mining tenements.

Corporate and taxation

The Base Case Model assumes that we will not make payments to Atlantic for the recovery of costs under the Corporate Services Agreement between MVPL and Atlantic. MVPL will be required to make such payments under the Corporate Services Agreement, however these payments are not expected to lead to a material amendment to the costs included in the Base Case Model.

The Base Case Model assumes an Australian corporate tax rate of 30% is payable in respect of taxable income.

Inflation

All numbers are in real terms in September 2010 dollars.

Capital expenditures

The Base Case Model assumes that in September 2013, we will lease, instead of purchase, the mining fleet and assumes no other expansion capital expenditures. We have received a quote for the mining fleet for A\$16.6 million, which is the expected value of the fleet that is incorporated into the Base Case Model. However, this quote is from a Japanese company. As a result, future changes in the exchange rate between the Australian dollar and the Japanese yen may affect the ultimate price for the mining fleet. In addition, the Base Case Model assumes we will spend A\$25.7 million in sustaining capital expenditure for maintenance purposes which is assumed to be expensed as incurred. The table below illustrates our assumed capital expenditures in the Base Case Model.

	Years Ending June 30,				
	2011	2012	2013	2014	2015
<i>(Australian dollars in thousands, unless otherwise noted)</i>					
Sustaining and maintenance capital expensed.....	A\$ 403	A\$ 4,831	A\$ 5,631	A\$ 7,231	A\$ 7,647
Major capital expenditure capitalized.....	-	-	-	A\$ 16,563	-
Total capital expenditure.....	A\$ 403	A\$ 4,831	A\$ 5,631	A\$ 23,794	A\$ 7,647

Other assumptions

The Base Case Model also assumes that, among other things:

- we will commission the Project on time and on budget;
- we will not be negatively or positively impacted by movements in exchange rates to a greater degree than as reflected in the model;
- we will not be negatively or positively impacted by legal proceedings or any material proceedings with respect to compliance with environmental laws and rules;
- there will be no material changes in the Australian, foreign, state or local tax, property, environmental or regulatory laws, rules or interpretations thereof which would materially affect us;
- we are not required to remediate any environmental pollution during the years covered by the Base Case Model and mine closure costs don't exceed costs assumed in the Base Case Model;
- there will be no material change in any of our existing or negotiated contracts and the parties thereto will perform their obligations thereunder;
- there will be no labor or industrial disputes, political unrest or other disturbances that would materially affect our operations or revenues, nor any disputes affecting our suppliers or customers;
- we will not make any material acquisitions or dispositions;
- key members of management will continue to be employed by us;
- we will be able to comply with covenants under agreements under which we have indebtedness outstanding;
- we will collect accounts receivable in a timely manner;
- mining grades and recovery rates will be as estimated;
- we are able to recover ferrovanadium in the amounts and at the percentages assumed;
- our business will not be subject to materially adverse macroeconomic trends; and
- our business is not adversely affected by any other factors discussed in "Risk factors."

Sensitivities of the Base Case Model

Base case financial measures

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 171,304	A\$ 298,977	A\$ 305,657	A\$ 269,734
EBITDA	(22,563)	67,367	159,272	158,279	121,220
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 19.87	US\$ 13.17	US\$ 11.71	US\$ 14.40
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines.....	US\$ —	US\$ 37.51	US\$ 23.99	US\$ 19.90	US\$ 20.91

Six-month commissioning delay

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that we experience a six-month delay in the commissioning of the vanadium processing plant of the Project from the commissioning date that was assumed in the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 95,035	A\$ 268,585	A\$ 284,331	A\$ 267,223
EBITDA	(19,850)	36,202	141,976	143,238	120,520
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 13.21	US\$ 12.51	US\$ 11.77	US\$ 14.17
Cash cost of vanadium (US\$/kg) excluding net	US\$ —	US\$ 68.77	US\$ 24.91	US\$ 20.64	US\$ 20.70

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
income from sales of iron ore fines.....					

Twenty five percent decrease in vanadium price

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that we experience a twenty five percent overall decrease in each year in the price per kilogram of vanadium, compared to those assumed in the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 141,939	A\$ 239,995	A\$ 244,403	A\$ 213,868
EBITDA	(22,498)	41,255	105,960	103,007	70,943
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 18.78	US\$ 12.19	US\$ 10.91	US\$ 13.61
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines.....	US\$ —	US\$ 36.42	US\$ 23.02	US\$ 19.10	US\$ 20.12

Twenty five percent decrease in iron ore fines price

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that we experience a twenty five percent overall decrease in each year in the price per tonne of iron ore fines, compared to those assumed in the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 1,842	A\$ 145,343	A\$ 270,714	A\$ 277,997	A\$ 245,666
EBITDA	(24,566)	41,406	131,010	130,619	97,152
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 28.37	US\$ 18.02	US\$ 15.45	US\$ 17.78
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines.....	US\$ —	US\$ 37.51	US\$ 23.99	US\$ 19.90	US\$ 20.91

U.S. dollar—Australian dollar exchange rate stays near current levels

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that the US dollar—Australian dollar exchange rate is US\$0.99 per A\$1.00 for the entire period of the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 153,816	A\$ 251,429	A\$ 242,055	A\$ 200,191
EBITDA	(22,563)	51,480	116,637	102,264	60,430
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 21.56	US\$ 14.97	US\$ 13.39	US\$ 16.10
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron fines	US\$ —	US\$ 36.99	US\$ 23.15	US\$ 18.88	US\$ 19.68

Ten percent increase in cost to complete the Project

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that we experience a ten percent overall increase in the cost to complete the Project, compared to the assumption in the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 171,304	A\$ 298,976	A\$ 305,657	A\$ 269,734
EBITDA	(22,563)	67,367	159,272	158,279	121,220
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 19.87	US\$ 13.17	US\$ 11.71	US\$ 14.40
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines	US\$ —	US\$ 37.51	US\$ 23.99	US\$ 19.90	US\$ 20.91

Five percent overall decrease in ore grade

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that we experience a five percent overall decrease in the ore grade mined in each year, compared to those assumed in the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years Ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 165,431	A\$ 287,180	A\$ 293,406	A\$ 258,561
EBITDA	(22,563)	62,407	149,249	148,053	111,969
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 20.60	US\$ 13.54	US\$ 12.04	US\$ 14.87
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines....	US\$ —	US\$ 39.17	US\$ 24.94	US\$ 20.66	US\$ 21.73

Twenty percent increase in operating expenditures

The following table sets forth our projected financial measures for each financial year from 2011 to 2015 assuming that we experience a twenty percent overall increase in operating expenditures (excluding depreciation and amortization), compared to the assumptions in the Base Case Model. Financial measures are calculated in the same manner that they are calculated in the Base Case Model as described in the footnotes thereto.

(Australian dollars in thousands, unless otherwise noted)	Years ending June 30,				
	2011	2012	2013	2014	2015
Sales revenue	A\$ 3,845	A\$ 171,304	A\$ 298,976	A\$ 305,657	A\$ 269,734
EBITDA	(27,845)	46,579	131,332	128,804	91,517
Cash cost of vanadium (US\$/kg)	US\$ —	US\$ 27.37	US\$ 17.96	US\$ 15.69	US\$ 18.58
Cash cost of vanadium (US\$/kg) excluding net income from sales of iron ore fines.....	US\$ —	US\$ 45.01	US\$ 28.79	US\$ 23.88	US\$ 25.09

Selected historical financial data

Set forth below is selected historical financial data of Atlantic Holdings. Financial information of Atlantic can be found in our 2010 Annual Report, as filed with the Australian Securities Exchange Limited (the "ASX").

Atlantic Holdings

The selected financial data presented below represents historical consolidated financial information of Atlantic Holdings as of September 30, 2010 and for the period from May 10, 2010 to September 30, 2010, which has been audited. The consolidated financial information of Atlantic Holdings incorporates the financial information of MVPL as of September 30, 2010 and for the period from the date of acquisition on September 21, 2010 to September 30, 2010.

The U.S. dollar financial data presented below represents a convenience translation from Australian dollars to U.S. dollars at the foreign exchange rate on January 21, 2011 of A\$1.00 = US\$0.9892. The Australian dollar financial data of Atlantic Holdings comply with IFRS.

(Dollars in thousands)	From May 10, 2010 to September 30,	
	2010	2010
Consolidated statement of financial performance		
Other income.....	A\$ 237	US\$ 234 ⁽¹⁾
Administration costs	(3,393)	(3,356)
Loss before financing	(3,156)	(3,122)
Finance income	12	12
Finance expenses	(607)	(600)
Net finance expense	(595)	(588)
Loss before income tax	(3,751)	(3,710)
Income tax benefit	3,296	3,260
Net loss for the period	(455)	(450)
Other comprehensive income, net of tax	—	—
Total comprehensive loss for the period	A\$ (455)	US\$ (450)

(Dollars in thousands)	From May 10, 2010 to September 30,	
	2010	2010
Consolidated statement of cash flows data		
Net cash from (used in):		
Operating activities	A\$ (1,650)	US\$ (1,632) ⁽¹⁾
Investing activities	11,517	11,393
Financing activities.....	20,282	20,063
Net increase in cash held	A\$ 30,149	US\$ 29,824

(Dollars in thousands)	As at September 30,	
	2010	2010
Consolidated statement of financial position		
Assets		
Cash and cash equivalents	A\$ 30,149	US\$ 29,823 ⁽¹⁾
Trade and other receivables	1,997	1,975
Inventories	1,790	1,771
Total current assets	33,936	33,569
Trade and other receivables	8,709	8,615
Property, plant and equipment	161,742	159,995
Total non-current assets	170,451	168,610
Total assets	A\$ 204,387	US\$ 202,179
Liabilities		
Trade and other payables	A\$ 2,073	US\$ 2,051
Loans and borrowings	85,237	84,316
Provisions	2,788	2,758
Total current liabilities	90,098	89,125
Loans and borrowings	66,744	66,023
Provisions	20,123	19,906
Total non-current liabilities	86,867	85,929
Total liabilities	A\$ 176,965	US\$ 175,054
Net Assets	A\$ 27,422	US\$ 27,125
Equity		
Contributed equity	A\$ 11	US\$ 11
Reserves	27,866	27,564
Accumulated losses	(455)	(450)
Total equity	A\$ 27,422	US\$ 27,125

(1) For convenience, the financial data contain conversions of certain Australian dollar amounts into U.S. dollars at the noon buying rate on January 21, 2011, which rate was A\$1.00 = US\$0.9892.

Risk factors

The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected.

This project update also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below.

Risks relating to project development

MVPL has not managed a fully operational mining or vanadium processing project and our parent, Atlantic, has not historically operated as a resources company and has not previously implemented a project of this scale.

MVPL has never managed a fully operational mining or vanadium processing project. MVPL was formed in 2005 and was not part of the mining and vanadium pentoxide processing operations conducted on the Windimurra site from November 1999 to April 2003. In addition, in February 2009, MVPL went into voluntary administration and receivership, due to having insufficient funds to complete construction of the Project and an inability to raise further funding as a result of the global financial crisis. Since that time, construction work ceased and the Project has been on care and maintenance. Accordingly, MVPL has no experience in operating the Project. MVPL is in the process of building the management and operations team necessary for the construction and operation of the Project.

In addition, MVPL's parent, Atlantic, which incorporated Atlantic Holdings to acquire MVPL from its voluntary administration and receivership, has not historically operated as a resources company and has not previously implemented a project of this scale. Atlantic was incorporated and listed on the ASX in 1987 and has operated a number of diversified businesses including commercial property development, aquaculture, fishing and pearling operations. In 2007, following disruptions in the global pearl markets, Atlantic became insolvent and went into external administration. Following Atlantic's exit from external administration in August 2007, Atlantic was reinstated to the ASX as a pearl marketing business. During 2009 and 2010, Atlantic appointed new directors and senior management and undertook a change in strategic direction to become a resources company. The Project will be the first operational resources business that will be conducted by Atlantic and is Atlantic's principal asset.

We will be subject to all the risks inherent in the establishment of a new mining project. We cannot assure you that we will be able to commission or sustain successful operation of the Project, or that we will achieve project completion or commercial viability.

The Project is our principal means of generating revenue and, if the Project is not successful, we may not generate sufficient income to cover our expenses.

The Project is the only business activity that MVPL and Atlantic Holdings intend to undertake in the near term and will be our principal means of generating revenue. Virtually all of our assets and resources will be employed in the development of the Project. Until completion, the Project is not expected to generate income sufficient to cover its expenses. Until that time, we will have no other means of generating income or cash flows and may be unable to make payments on our contractual commitments when due, or at all.

Construction costs for the development of the Project may be higher than estimated and the Project may be subject to delays.

Commissioning of the Project is expected to commence in the third calendar quarter of 2011. Substantial work on the Project's vanadium processing plant remains incomplete and commercial mining has not yet commenced. The success of the Project depends in significant part on our ability to complete construction and commence production within the planned time frame and in accordance with our cost estimates. Our Project cost estimates are based on design and engineering studies (including a feasibility study conducted by the previous owner of the Project) that were performed by the Project's previous owners prior to MVPL entering voluntary administration and receivership.

The cost to complete the Project is estimated to be A\$77.7 million but may vary materially from our current estimates. We have elected not to retain the firm that managed the design, engineering and construction of the Project prior to MVPL's administration, as the design and engineering work on the Project is substantially complete and we expect that the control of costs and management of construction will be more effective with a specialized project management firm than it would

be with an engineering and design specialist. We will be undertaking construction work based on the original engineering plans as updated for work we have undertaken since our purchase by Atlantic. To the extent any work needs to be varied from the plan, we will be required to engineer such variations during the construction phase, which may be costly and time-consuming. The Project financing plan includes a contingency reserve of a further A\$19.4 million to meet any capital cost overruns, which may not provide us with sufficient funding if a series of unforeseen events negatively affect the construction process for the Project or cause delays or cost overruns.

While some key contracts for the construction of the Project have been signed, there are other key contracts still to be negotiated under the Project schedule. If we do not complete negotiations with, and commit necessary contractors to, the Project on the anticipated schedule, or if we obtain terms and conditions in respect of these engagements that are less favorable to us than we have anticipated, development of the Project may be significantly delayed and/or significantly more costly than expected. In addition, we may have disputes with contractors engaged with respect to the Project that may result in additional amounts owed to such contractors.

Completion of construction and commencement of production may be delayed, or may require the expenditure of significant additional funds, because of factors outside of our control, including:

- deficiencies in the current engineering and design plans;
- the inability of contractors to complete construction of the allocated work on the Project's processing plant in a timely manner;
- industrial disputes, unavailability of parts, materials, machinery or operators;
- unforeseen geological, physical or meteorological conditions;
- changes to the technical specifications;
- failure to enter into additional agreements with contractors or suppliers in a timely manner;
- shortage of capital;
- labor stoppages or shortfalls in labor resources; and
- changes in laws and regulations, including taxation, environmental, land access, health and safety, and other regulations.

Any construction delay would defer the production at the Project, which would impact negatively on our cash flow, financial performance and ability to meet some of our contractual obligations.

No sponsors or contractors have agreed substantially to support completion risk for the Project.

We have not engaged a single overarching contractor to finish the construction of the Project and intend to manage the remaining construction and engineering work in-house with the assistance of PinC. In addition, we have not engaged an engineer to evaluate the process design and, consequently, will bear the full risk of any design deficiencies.

Approximately 85% of the Project works have been completed pursuant to contracts that were entered into when we were owned by our previous owners. We will have limited ability to pursue contractors or suppliers for defects to works or equipment completed or supplied prior to our administration proceedings. Consequently, we will bear the full risk that the various components of the Project do not together achieve the Project's overall design capacity. Any equipment failures or defects in our plant will have to be repaired or replaced at our expense. In addition, our purchase of the crushing and beneficiation plant from MRL is on an "as is, where is" basis and we will have limited recourse against MRL for defects in the plant. Further, we will have only limited avenues of recourse against individual contractors or suppliers which fail to perform under their contracts.

Atlantic's principal asset is its interest in the Project. Consequently, its ability to provide further funds to us to fund cost overruns is severely limited. If the contractors fail to fulfill their obligations or if we are unable to devote sufficient resources to the construction of the Project, the Project will bear substantial risk of such failure, which may result in our being unable to complete the Project in a timely manner or at all.

Risks relating to the vanadium industry

A significant increase in the global supply of vanadium could result in lower prices for vanadium.

Vanadium is sourced from both primary, byproduct and secondary sources. There are other vanadium projects around the world and in Australia at preliminary stages of exploration or development. It is difficult to predict the likelihood of these projects coming online, but if a significant new deposit for vanadium is discovered, or if new mining technology is invented that would allow producers to mine current vanadium deposits more efficiently, primary producers of vanadium may be able to substantially increase production. Additionally, vanadium is produced as a by-product in certain types of steel production, which may become more common as the price for vanadium increases or if new technology materially lowers the cost of vanadium by-product production. A significant increase in the supply of vanadium, either from primary vanadium mines or as a result of increased by-product production, could materially increase the supply of vanadium, which could result in lower prices for vanadium.

Chinese producers of vanadium have been increasing their vanadium production over time. In addition, as of January 1, 2008, China eliminated a 10% export tax on ferrovanadium with vanadium contents above 75%, which is the same type of ferrovanadium that we expect to produce. The elimination of the export tax may have encouraged domestic producers to increase their output of this type of ferrovanadium. An increase in the supply of ferrovanadium with 80% contained vanadium from China or the elimination of export tariffs or introduction of rebates on other types of Chinese vanadium may lower prices for vanadium in the international market.

Demand for vanadium is primarily driven by demand in the steel industry. A decrease in demand for high strength steel products that contain vanadium would lead to lower demand for vanadium and, as a result, lower prices for vanadium.

Approximately 87% of vanadium consumption in 2009 was in the steel industry where the addition of vanadium enhances the strength of steel. Vanadium is primarily used as a strengthening alloy in the production of carbon steel and high strength steel used in structural applications such as gas and oil pipelines, reinforcing bars in building construction, certain tools and automotive parts. A weakening of demand for specialty steel due to a sustained weakness in the global economy, substitution of ferritic grade steels for specialty steels in certain applications or for any other reason could cause a decrease in demand for vanadium and resultantly lower prices, which may adversely affect our revenue. In addition, the rising demand for vanadium from the steel industry is due, in part, to high prices for minerals for which vanadium acts as a substitute, such as niobium. Lower prices for niobium or other minerals that could be used as a substitute for vanadium could result in substitution away from vanadium-bearing grades of steel.

China is the largest consumer of vanadium. While we do not expect to sell a significant tonnage of vanadium directly to China due to import tariffs (the majority of Chinese demand is met from domestic production), China's demand levels have a major impact on global vanadium prices. Our exposure to China's economic position and economic policies may be significant. If Chinese economic growth slows, it could result in lower prices and demand for vanadium, and therefore adversely affect the demand for our products and our results of operation and financial condition.

Risks relating to our business

Decreases in prices or the inability to sell our products may affect our profitability.

If market prices for vanadium fall below the production costs for the Project and remain at such levels for a sustained period of time, it may not be economically feasible to commence or continue production. Such conditions could result in the cessation of mining activities, halt or delay the development of new areas to mine, and a reduction in funds available for proving reserves. There is no recognized commodities futures market on which future vanadium production may be hedged. While our current sales and marketing agreement with Wengfu and Element provides for price protection with respect to 65% of our vanadium output, this protection may not be at a sufficient volume and at a sufficient price to maintain our profitability. Additionally, we are exposed to the risk that Wengfu does not meet its purchase obligations as a result of financial distress or otherwise. In addition, reserves are calculated based on quantities of ore that may be economically extracted. If the price of vanadium falls it may become uneconomical to extract, which may require us to reduce the amount of our reported mineral reserves.

In addition, as a by-product of vanadium mining, we will produce iron ore fines from calcine tailings at the Project. Based on the Base Case Model, we expect that revenue and net income from sales of iron ore fines from calcine tailings will represent a significant portion of our total revenue and EBITDA over the first five years of the Project. Should market prices decrease or if we are unable to find a buyer for our iron ore fines or if we are unable to access sufficient port capacity, our margins, results of operations and financial condition may be adversely affected.

A significant decline in the price of vanadium or iron ore fines or the inability to find consumers of our products could adversely affect our revenues and cash flows. A decline in prices achieved for our iron ore products or the inability to sell our iron ore fines in the first couple of years of production would have a larger impact on us than later in our production schedule as this is when vanadium production is still in the process of reaching nameplate capacity, and therefore iron ore revenues represent proportionately more of our total revenues.

Certain of our costs are susceptible to market forces and a substantial or extended period of increased costs may adversely affect our results of operations.

Our margins will also be dependent upon the costs we will incur in producing ferrovanadium. We project that over a quarter of the costs will relate to the purchase of natural gas and over a quarter will relate to the purchase of other raw materials (principally soda ash, aluminum granules and ammonium sulphate). Each of these costs is susceptible to market forces independent of the market forces which determine the prices we receive for our products. Additionally, the cost of labor is a significant operating cost of the Project and may increase materially as a result of wage inflation, which may be significant due to increasing demand for labor in the Western Australia resources sector. If our raw material or labor costs increase as a result of market forces or for other reasons, our results of operations may be adversely affected.

We compete with mining and other companies for key human resources, equipment and supplies and our ability to construct, commission and operate the Project may be materially adversely affected by any unavailability of such resources.

The Project will be our first operational project in the resources industry and is currently the only vanadium mine in Australia expected to come online in the near term. Consequently, our management team will require further expansion to effectively manage the development of the Project and, upon completion, the commissioning and operation of the Project. To manage the Project properly, we will be required to attract and retain additional management, technical, sales and marketing personnel, many of whom have skills that are not readily available in Australia. In addition, we will need to mobilize a substantial workforce to complete construction of the Project. A mining contractor will also be required to recruit a sufficient number of mining personnel to operate the Project's mine. We and our mining contractor intend to recruit qualified personnel from other mining operations in Australia and overseas. We will compete with mining and other companies to attract and retain key executives and other skilled employees with the appropriate technical skills and managerial experience necessary to operate the Project. Some of these companies are significantly larger than us and may have greater resources to invest in attracting and retaining employees. Competition with other mining companies for these resources could have a material adverse affect on our business and may impact the Project's operation and efficiency.

The strong commodity cycle and large number of projects being developed in the resources industry has led to increased demand for skilled personnel, contractors, materials and supplies. Historically, peak economic conditions in the resources industry in Western Australia have contributed to a significant shortage of skilled labor in the professions of mine engineering, metallurgy, geology and geotechnical disciplines. This has led, and could continue to lead, to increased construction, capital and operating costs and difficulties in developing, acquiring and retaining skilled personnel and necessary equipment, which may in turn adversely affect the construction, commissioning and operation of the Project, and our results of those operations, financial condition and prospects.

There can be no assurance that we and our mining contractor will be able to attract and retain skilled and experienced employees and contractors or secure necessary supplies and equipment for the Project. Should we or our mining contractor lose any of our key personnel, fail to attract qualified personnel and contractors or fail to secure necessary equipment and materials, or if labor costs increase significantly, the Project may be materially and adversely affected.

Actual results could differ from the Base Case Model.

The Base Case Model and other estimates relating to the Project are based on certain assumptions and estimates contained in an independent engineering report, the feasibility study, our own estimates of capital and operating costs and our review of industry analysts' reports. The Base Case Model has been prepared based on operating cost and capital cost estimates estimated by management and present management's estimate of revenue and other financial data for each of the financial years in the period ending June 30, 2015 illustrated in the Base Case Model. These estimates and assumptions are inherently subject to significant uncertainties, the degree of which increases with each successive period presented.

Experience from actual mining, processing and related infrastructure operations may identify new or unexpected conditions that could reduce production below, or increase capital or operating costs above, current estimates for the Project. If actual results are less favorable than the Base Case Model or the estimates and assumptions contained in the independent engineering report, the engineering and construction plans for the Project, our estimates of capital and operating costs and industry reports we have relied upon turn out to be inaccurate, the commercial viability and future results of the Project could be materially adversely affected.

There may be design flaws in the Project.

There may be currently unknown flaws in the design of the processing facility at the Project that will prevent it, when operational, from achieving Project completion on the anticipated timeline or at the recovery rate of vanadium at the expected cost. If this were to occur, as it did to the previous operator of the Project, the amount of vanadium-bearing metal produced and our annual revenues will be reduced.

Our mining operations will be subject to risks and hazards inherent in the mining industry.

The exploration for and the development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate, including technical difficulties and failures, industrial accidents, industrial disputes, cost overruns, late delivery of or inability to source supplies, unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment, unusual or unexpected geological formations or pressures, extreme weather events, power interruption, critical equipment failure, fire, explosions or other accidents or acts of force majeure, land claims and compensation and other unforeseen contingencies. In particular, our open pit mining operation is subject to additional risks, including collapses of the open-pit wall, accidents associated with the operation of large open-pit mining and rock transportation equipment, accidents associated with the preparation and ignition of large-scale open-pit blasting operations, production disruptions due to weather conditions and hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination. We are at risk of experiencing any and all of these hazards. The occurrence of any of these hazards could delay production, increase production costs and result in injury to persons and damage to property, impact our labor relations as well as impose liability on us.

We will operate a vanadium processing plant on the Project site at which we will process vanadium ore into ferrovanadium, the operation of which is subject to all of the risks associated with the processing of minerals.

In addition to the open-pit mine, we will operate a vanadium processing plant on the Project site. We may experience practical or technical problems in the construction of the plant or in the application of our processing technology to ferrovanadium processing. Any prolonged downtime or shutdowns at the vanadium processing plant due to technical problems, environmental remediation or otherwise could substantially increase our costs of production. In addition, our production estimates are dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, geological conditions, physical characteristics of ores, the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining, ore haulage and processing. Any or all of these assumptions may turn out to be inaccurate. Our inability to efficiently process ore into ferrovanadium in a cost effective manner and in the grades that we have anticipated could materially adversely affect our ability to satisfy our contractual obligations under various supply contracts and our financial performance.

We are subject to exchange rate risks.

Our assets, earnings and cash flow are influenced by movements in the exchange rates of the U.S. dollar against the Australian dollar. Revenue from sales and the majority of financing for the Project will be denominated in U.S. dollars, but, a significant portion of the construction, development and operating expenses for the Project will be incurred in Australian dollars. Accordingly, appreciation of the Australian dollar against the U.S. dollar could materially adversely affect the Project's profitability and financial position and limit our ability to repay our debt. Additionally, we prepare our consolidated financial statements in Australian dollars and, as a consequence, our consolidated results of operations are subject to currency translation risks.

The mineral reserve and resource estimates of the Project are estimates only and may not be recoverable in full. As a result, the Project may not achieve its total life of mine production estimates.

No assurance can be given that the reserves presented in this project update will be recovered at the quantity or yield presented. In addition, investors should not assume that resource estimates are capable of being directly reclassified as reserves under the JORC Code. Mineral resources that are not mineral reserves do not have demonstrated economic viability. A mineral resource is not the equivalent of a commercially mineable ore body or a reserve.

The estimates of mineral resources and reserves for the Project are only estimates based on the judgment, experience and technical data available to us. Sampling and metallurgical testing of the mineral ore at the Project has been conducted, however ore is, by its nature, not homogenous or uniform and the samples may not be representative of the broader ore body. As such, resources and reserves reported in our public filings may overstate the actual ore present at the Project. Furthermore, resource and reserve estimates may change over time as new information becomes available, particularly actual production data, further drilling and market factors. Our production estimates are dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, geological conditions, physical characteristics of ores, the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining, ore haulage and processing. In addition, market fluctuations in the price of vanadium, as well as increased production costs or reduced recovery rates, may render some or all of our mineral reserves uneconomic and may ultimately result in a restatement of reserves, resources or both. Our failure to achieve our production estimates could have a material and adverse effect on any or all of our future cash flows, profitability, results of operations and financial condition and could result in write-downs of our investment in mining properties.

Labor disruptions could affect our production levels.

We expect that a substantial portion of the mining, processing plant and other non-management employees that we and our mining contractor will employ at the Project will be covered by collective bargaining agreements, which may involve unions. There can be no assurance that a work slowdown, work stoppage or strike will not occur at the Project as a result of disagreements relating to compensation, worker safety or for any other reason. Work slowdowns, stoppages or other labor-related developments affecting the Project could adversely affect the production levels and the results of operations of the Project.

We will face significant competition.

We will compete with other vanadium producers on the basis of price, vanadium quality, transportation costs and reliability of delivery. We face significant competition on the global market, including from companies that have longer operating histories and significantly greater financial resources than us.

Changes to international trade agreements, trade concessions, tax policy or other political and economic arrangements may also benefit vanadium producers operating in countries other than Australia, where our operations are located. We cannot assure you that we will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable trading or other arrangements.

The existence of native title on the tenements may impose restrictions on our operations.

The existence of native title in Australia is recognized and protected in accordance with the Native Title Act 1993 of Australia ("Native Title Act"). The Native Title Act and the recognition of native title at common law may impose restrictions on our operations. The effect of the native title laws that apply in Australia is that mining tenement applications and existing tenements may be affected by native title claims or procedures. In this regard:

- the existence of native title or a registered native title claim may preclude or delay the granting of exploration and mining tenements pending resolution of statutory procedures imposed by the Native Title Act, and considerable expenses may be incurred in negotiating and resolving issues; and
- if native title is determined to exist over any exploration or mining tenements we hold or acquire, an obligation may arise to compensate the native title holders for impairment to native title which results from activities conducted on the exploration or mining tenements in question.

Similar compensatory obligations may arise when settling native title claims lodged over any tenements we acquire. Native title which may exist or otherwise be claimed in respect of the Project tenements will not prevent the exercise of any validly granted rights and interests under the tenements. Mining tenements granted since 1996 are valid if granted over land on which native title has been extinguished (such as freehold, "exclusive possession" leasehold or vested reserve land) or if the procedures under the Native Title Act have been complied with. Provided that the Native Title Act procedures were complied with when the Project tenements were granted, these tenements will be valid. If native title is either determined to exist or there are registered, but undetermined, native title claims over any part of the Project tenements and native title has not otherwise been extinguished in respect of that part, we may be required to negotiate with and/or pay compensation to the native title holders for impairment to such title as a result of the grant of Project tenements covered by valid native title. It is not possible to currently assess the extent of compensation that may be payable to a current or subsequent native title claimant or holder.

The presence of sites of aboriginal heritage significance on the tenements may limit or preclude the construction of the group's expansion and the continuing operations of the group.

The Aboriginal Heritage Act 1972 of Western Australia (the "Heritage Act") seeks to protect Aboriginal sites and objects and is particularly relevant to exploration and mining activity. It is an offense under the Heritage Act for a person to:

- excavate, destroy, damage, conceal or in any way alter any Aboriginal site; or
- in any way alter, damage, remove, destroy, conceal or deal with in a manner not sanctioned by relevant custom, or assume the possession, custody or control of, any object on or under an Aboriginal site,

without obtaining the consent of the relevant Minister under the Heritage Act.

Any interference with Aboriginal sites or objects must be in strict conformity with the provisions of the relevant legislation. The presence of sites with Aboriginal heritage significance on our tenements may limit or preclude additional mining or expansion activities within the area of those sites and delays and expenses may be experienced in obtaining clearances and approvals. In addition, it may also be necessary for us to enter into separate arrangements with the traditional owners of the sites. This could be costly for us and potentially cause delays in our continued operational and expansion activities.

A Register of Aboriginal Sites is kept under the Heritage Act and administered by the Australian Department of Indigenous Affairs. However, Aboriginal sites and objects of significance to Aboriginal persons are protected under the Heritage Act whether or not such sites or objects are registered on the Register of Aboriginal Sites and there is no obligation under the relevant legislation to register all such sites or objects. There can also be substantial inaccuracies in some of the information on the Register.

Two listed heritage sites exist within the current mine design. These heritage sites had been the subject of Ministerial approval granted to the previous operators of the mine, however, this approval does not cover MVPL and we will be required to make a new application for approval, which would enable us to expand the mine. Ministerial approval does not strictly approve site "removal," but allows the landowner to use land for the relevant approved "purpose." If notice is correctly given in practical terms this protects the landowner from prosecution if the use results in the destruction of the sites. The failure to successfully negotiate removal of these heritage sites would cause a reduction of approximately 33 million tonnes from our mineral reserves, and would require us to revise our mine plan from year four of the project. The presence of these or other sites of indigenous heritage significance that are discovered on the Project's tenements may limit or preclude exploration or mining activity within the sphere of influence of those sites, and delays and expenses may be experienced in obtaining clearances. Failure to resolve issues associated with sites of indigenous heritage significance could result in delays in the development of the Project and the commencement or expansion of operations. We cannot assure you that such issues will be satisfactorily resolved or that they will be resolved in a timely manner. See "Description of certain Project approvals and Australian legal matters—Native Title Approvals and Law."

Mining and construction operations in Western Australia are subject to extensive regulations, including environmental, health and safety, taxation, land access and other regulations.

Mining and construction operations in Western Australia are subject to a variety of general and industry-specific regulations concerning the environment, the health and safety of employees, land access, infrastructure creation and access, royalties, taxation, accounting policies and other matters. Compliance with such laws may cause delays or require capital outlays in excess of those anticipated, causing an adverse effect on the Project. If we violate any regulations or the terms of any permits we have been or will be granted, if regulations become more onerous or if we fail to accurately estimate environmental compliance and rehabilitation requirements, we may incur substantial additional costs, including compliance, fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations for violations arising under these laws or permit requirements.

Changes in laws and regulations may result in restrictions or delays in the development of the Project, significant additional costs or the Project becoming uneconomic.

Certain laws and regulations are evolving in a manner that may mean stricter standards and enforcement with a resulting increase in compliance costs, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in laws and regulations may result in restrictions or delays in the development of the Project, significant additional costs or the Project becoming uneconomic. For example, the Australian federal government has recently proposed several new laws that would impact the Australian resources industry, including:

- *Greenhouse gas emissions:* Greenhouse emissions will likely become regulated in Australia during the life of the Project. This will result in increased costs, such as emissions cap compliance costs and increased energy costs. It may also result in increased publication of information about greenhouse consequences of the Project.
- *Resources taxation:* The Australian federal government has announced its intention to introduce a Mineral Resource Rent Tax ("MRRT") on coal and iron ore projects with effect from July 1, 2012. Broadly, the MRRT will be imposed at a rate of 30% on the value of the relevant commodity in its first saleable form (determined at mine gate) less all costs to that point plus other allowances including a 25% extraction allowance and unutilized MRRT losses from other coal and iron ore projects in Australia. The Government has not yet released draft legislation or detailed implementation rules with respect to the MRRT. There is ongoing consultation about the scope of the MRRT, particularly relating to different commodity grades and how the commodities will be defined. This consultation includes consideration of the types of iron ore that might be included, particularly whether magnetite would be included within the scope of the MRRT. In addition, there is still consultation about whether commodities produced incidentally to the primary commodity extracted from a project site, such as waste products will be included in the MRRT. In its current form, it is probable, but not certain that the MRRT would apply to the commodities to be extracted from the Project (subject to the application of the threshold test, discussed below), but the precise scope of the commodities subject to the tax will be clarified when draft legislation is released next year. The MRRT, as currently drafted, should not apply to other commodities, including vanadium. However, it is proposed that the MRRT will only apply to projects (or project participants, alone or with associates (yet to be defined)) with a resource profit (taxable under the MRRT) above a threshold of A\$50 million. Further consultation about the level of the threshold and application of the threshold test is ongoing. Under the current proposals, if the Project (with any relevant aggregation of interests) derives MRRT taxable profits referable to iron ore less than the threshold level of A\$50 million, the MRRT would not apply to the Project. There is some risk that the form of the proposed MRRT may be changed. As the federal government is a minority government, the proposed MRRT may be amended in order to gain enough support to pass through parliament. Further, the government has agreed to hold a national public "tax summit" by June 2011 although the extent to which the summit will consider the MRRT (if at all) is unclear. The federal government has also established a policy transition group to consult with stakeholders on the technical design and practical implementation of the proposed MRRT. However, the policy transition group's role does not extend to revisiting the government's commitment to applying the MRRT only to iron ore and coal projects. There is no certainty that the MRRT will pass through parliament and apply in its currently proposed form. If the MRRT is changed to apply to the mining of vanadium, or there are changes to the threshold tests for entry to the MRRT regime, there is a risk that the MRRT may have a greater adverse affect on MVPL's profitability, net assets and cash flow.

In addition to the proposed new federal laws, the Western Australia Department for Mines and Petroleum has announced its intention to add magnetite and vanadium to the list of minerals included under Regulation 86 of the Mining Regulations 1981 of Western Australia. If this occurs, there will be a specific royalty rate applicable to magnetite, which affects our iron ore fines, and vanadium (currently, the royalty rate applicable to "other mineral" is applied). Recent correspondence from the DMP indicate that royalties on magnetite concentrates and contained vanadium metal within these concentrates will be subject to a royalty of 5% of the value that would apply to magnetite and 2.5 % of the value that would apply to the contained vanadium within the magnetite concentrates. However, at this point in time, the regulations have not yet been adopted so there is a risk that the royalty rate applicable to magnetite and vanadium produced from our mining tenements may be different (possibly higher or lower) from those currently proposed by the DMP.

Changes in laws and regulations may result in restrictions or delays in the development of the Project, significant additional costs or the Project becoming uneconomic. In addition, we cannot assure you that, despite precautions, because of breaches of such regulations, whether inadvertent or not, we will not be subject to liability that would materially adversely affect our financial condition and results of operations from the Project.

We may be required to remediate certain legacy environmental damage at the Project site.

We will be required to monitor and potentially otherwise address sodium oxalate contamination within the Project's Non-magnetic Tailings Storage Facility that occurred under the management of the previous owners of the Project. Areas of the site were suspected to have been contaminated through discharge of sodium oxalate solution during prior operations and were reported to the Department of Environment and Conservation in May 2007. Remediation options such as in situ

containment and management, bioremediation, monitoring of the site and recovery and disposal have been considered. Monitoring of the impacted areas and the groundwater is required to determine the preferred remediation option. Presently, the spill has been reported, covered and is being monitored. We have not been requested to remove the soil, however should we be legally required to remove the contaminated soil or remediate the site in other ways in the future, it is likely that we will be responsible for organizing and paying for this remediation. We currently estimate that the costs of fully remediating the site would be approximately A\$1 million.

Our operations involve a risk of exposure to or harm from hazardous materials used in our processing facility and the potential pulmonary irritant effects of vanadium dust.

We will use a variety of reagents, such as soda ash and ammonium sulphate, and will produce vanadium trioxide (V_2O_3) which is potentially hazardous. We have implemented a safety management system and hazardous materials management plan which manages the storage, handling and use of hazardous materials at the site. If our safety policies and procedures are not complied with, persons including our employees or contractors may be exposed to these hazardous materials. Vanadium is currently categorized as a Group 2B carcinogen by the International Agency on Cancer. As the vanadium is processed from the rotary kiln through to the electronic arc furnace, our personnel may be exposed to vanadium trioxide dust, which is a respiratory irritant. Short term effects of high levels of vanadium exposure will present flu like symptoms and longer term effects of high exposure may result in chronic bronchitis or asthma. If vanadium is inhaled or ingested as dust at this stage, it may be harmful to our employees, contractors or other exposed persons.

Our insurance coverage does not cover all of the potential losses, liabilities and damage related to the Project and certain risks are uninsured or uninsurable.

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, ground or slope failures, fires, floods, earthquakes, and other environmental occurrences, that could result in damage to or destruction of mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining caused by industrial accidents or labor disputes or changes in regulatory environment, monetary losses and possible legal liability. It is not always possible to obtain insurance against all such risks and we may decide not to insure against certain risks because of high premiums associated with insuring against those risks or for other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. Although we maintain insurance to protect against certain risks in such amounts as we consider reasonable in light of the circumstances surrounding such risks, our insurance will not cover all potential risks associated with our operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

An inability to access sufficient port capacity for the export of our iron ore fines could adversely impact our results of operations, financial condition and the net cash costs of producing vanadium.

We are in the process of negotiating port access agreements with the Port of Geraldton for the export of our iron ore fines products. The Port of Geraldton has limited capacity to store and ship bulk materials. We have applied for the right to export our iron ore fines through the Port of Geraldton, however any delay in the approval of our application, any rejection of our application or any other limitation on our ability to store and ship our iron ore fines could materially affect our results of operations, financial condition and our net cost of producing vanadium.

Our business may be adversely affected by the damage or inaccessibility of certain infrastructure or the supply of natural gas, electric power and water.

The Project is located in a remote part of Western Australia, approximately 600 kilometers from Perth and, as a result, we must transport our products by road, and store and ship them through the Port of Fremantle, in the case of our vanadium, and the Port of Geraldton, in the case of our iron ore fines. Damage to the roads that lead to the ports or to the port facilities and any delay in repairing such roads or port facilities could delay or prevent the shipment of our products.

In addition, sources of power and piped water are not readily available to the Project site. We intend to source water through a series of wells that exist on the Project tenements, which we will filter water in a processing plant on the Project site that is yet to be commissioned. We will source power from a power station on the Project site that is yet to be commissioned. The power station will be fueled by natural gas supplied by third party suppliers and transported via the Dampier to Bunbury Natural Gas Pipeline and the Midwest Gas Pipeline. We hold long term transport contracts on these pipelines and have secured gas supply agreements, however any interruption to our supply of water or natural gas, such as from pipeline failures, or any malfunctions with our water processing or power generation plants, could interrupt our

operations and have a material adverse effect on our business, financial condition and results of operations. In addition, inefficiencies in our vanadium processing may increase our water, gas and/or power consumption, requiring additional wells or gas supply, as applicable.

We rely on the ongoing application of certain Australian tax laws and a private ruling obtained by MVPL from the Australian Taxation Office (the “ATO”) for the maintenance of our tax losses.

Our financial performance relies on the continued application of certain Australian tax laws, and the ongoing application of a private ruling obtained by MVPL from the ATO. A private ruling is a written expression of the ATO’s opinion on the way in which a relevant tax law applies to a specified arrangement. It may be relied upon by a taxpayer in conducting its tax affairs and is binding as against the ATO for a taxpayer, so long as there is no material change in the relevant circumstances of that taxpayer.

In particular, MVPL obtained a private ruling confirming that the “Commercial Debt Forgiveness” rules would not apply to a previous debt assignment transaction entered into by MVPL and Atlantic Holdings. Importantly, the Commercial Debt Forgiveness rules, if applicable to a taxpayer, can have negative tax consequences by reducing the following tax attributes of a taxpayer (in the order listed):

- Prior income year revenue losses;
- Net capital losses from earlier years;
- Deductible expenditure; and
- Cost base and reduced cost base of assets.

Accordingly, the private ruling obtained by MVPL continues to provide MVPL with certainty that the potentially negative impact of the Commercial Debt Forgiveness rules do not apply to the previous debt assignment transaction. However, the private ruling will only continue to apply to MVPL if the facts or any assumptions relied on by the ATO in making the private ruling continue to apply and there is no other material change in the relevant circumstances of MVPL. While MVPL does not consider that any current arrangement or circumstance, will alter any of the facts or assumptions underlying the ruling, or constitutes a material change to the circumstances of MVPL, there can be no assurance of the continued applicability of the private ruling, if there is any future conduct or transaction that is ultimately inconsistent with the facts or assumptions used as the basis for obtaining the private ruling.

Atlantic’s inability to perform under our corporate services agreement may have an adverse impact on our results of operations and financial condition.

MVPL has entered into a corporate services agreement with Atlantic pursuant to which Atlantic has agreed to provide certain corporate support services we may request, including financial, human resources, legal, business development, accounting and treasury and tax services and such other services as we may request from time to time. As it is our parent company, we have no ability to control Atlantic other than under the terms of the corporate services agreement. If Atlantic is unable to perform under our corporate services agreement as a result of having insufficient resources or otherwise, our results of operations and financial condition may be adversely affected.

Description of certain project approvals and Australian legal matters

Summary of project approvals

We have been granted mining leases over 100% of the estimated current mineral reserves at the Project. We have also obtained all of the key environmental and other approvals that are necessary to construct the remaining Project works and begin mining. Details of these approvals are set out in further detail below.

Mining law

General

The Mining Act 1978 and the Mining Regulations 1981 of Western Australia (the "Mining Regulations") regulate the exploration and production of mineral resources in Western Australia. In Western Australia, the Crown (in the right of the State) owns all minerals on or below the surface of the land, except in certain limited circumstances. The State is entitled to grant mining tenements which confer rights and obligations on licensees or lessees in relation to exploration for and the mining of minerals (among other things).

Conditions are imposed on the grant of mining tenements pursuant to the Mining Act. These may include conditions relating to the environment, payment of royalties and annual rent, required minimum expenditure and a standard schedule of general endorsements and conditions imposed pursuant to the Mining Act. If the tenement conditions are not complied with, the tenement may be liable to forfeiture.

The main types of tenements that may be granted under the Mining Act are prospecting licenses, exploration licenses, mining leases, miscellaneous licenses and general purposes leases. Below is a summary of the standard terms of the types of tenements listed above (other than prospecting licenses) granted under the Mining Act.

Exploration licenses

Rights

The holder of an exploration license is authorized to carry out exploratory activities as set out in the Mining Act and the exploration license within the license area in respect of any minerals (with certain exceptions). An exploration license does not authorize the holder to explore for iron ore without the authorization of the Minister.

Term

An exploration license will remain in force for a period of five years.

An Existing License (being an exploration license which was in force or applied for before February 10, 2006) may be extended by the Minister for a further period of one or two years and one further period of one to two years in certain prescribed circumstances. One or more extensions of one year are available in exceptional circumstances.

A New License (being an exploration license granted as a result of an application made on or after February 10, 2006) may be extended by the Minister for one further period of five years and by a further period or periods of extension of two years, if prescribed grounds for extension exist.

Maximum area

An exploration license granted under the Mining Act is divided into "blocks". In general, an exploration license may be granted for areas of land not exceeding 70 blocks (approximately 215 square kilometers), although in some cases this area may be increased subject to certain conditions. In respect of Existing Licenses the area covered by the exploration license is required to be reduced by relinquishing not less than 50% of the blocks after the first three years of its term. At the expiration of the fourth year of its term, a further relinquishment of not less than 50% of the remaining blocks is necessary. In respect of New Licenses, the area covered by the exploration license is required to be reduced by way of relinquishment of 40% of the blocks after the first five years of its term.

Priority for grant of a mining lease

The Mining Act confers on the holder of a current exploration license the right to apply for and have granted one or more mining leases over any of the land within the area of that license. This right is made "subject to the Mining Act" and to any conditions on which the exploration license is held. In the case of New Licenses, the licensee will need to provide a mining proposal detailing the planned mining operations or a statement setting out the likely mining operations, together with a mineralization report containing details of the exploration results in relation to the area the subject of the mining lease application.

Ability to mortgage

An exploration license may be mortgaged as security for the repayment of money advanced or agreed to be advanced. However, the written consent of the Minister or an officer of the DMP acting with the authority of the Minister, is required for any dealing with a legal or equitable interest in or affecting an exploration license during the first year of its term.

Status of exploration licenses

MVPL is the registered holder of three exploration licenses granted under the Mining Act as detailed in the table below. These exploration licenses cover:

Tenement	Grant date	Expiry date	Current Area	2010 expenditure conditions	2010 expenditure exemption applications
E58/113-I.....	March 8, 1991	The original expiry date was March 7, 1998. Where the holder of an exploration license has applied for a mining lease the exploration license shall continue in force until the mining application is determined MVPL has applied for the following mining leases: M58/275, M58/276, M58/277, M58/278, in relation to the area the subject of the exploration license.	35.81 km ² A\$100,000	Expenditure exemption obtained for 2010.	Exemption application granted on October 18, 2010.
E58/117-I.....	January 19, 1992	The original expiry date was January 18, 1999. Where the holder of an exploration license has applied for a mining lease the exploration license shall continue in force until the mining application is determined MVPL has applied for the following mining lease: M58/282, in relation to the area the subject of the exploration license.	2 Blocks	A\$50,000 Expended in full pursuant to Application for Exemption.	Exemption application granted on December 3, 2010.

Tenement	Grant date	Expiry date	Current Area	2010 expenditure	
				conditions	exemption applications
E58/198.....	April 18, 1997	The original expiry date was April 17, 2002. Where the holder of an exploration license has applied for a mining lease the exploration license shall continue in force until the mining application is determined MVPL has applied for the following mining lease: M58/281, in relation to the area the subject of the exploration license.	1 Block	A\$20,000 Expenditure exemption obtained for 2010.	Exemption application granted on October 18, 2010.

Licensees must comply with expenditure conditions unless a total or partial exemption has been granted. An exemption application must be lodged before the end of the year to which the proposed exemption relates or within 60 days after the end of that year. Failure to comply with expenditure conditions without an application for exemption being granted renders a title liable to forfeiture. Any person may make an application for forfeiture during the relevant expenditure year in relation to which the requirement is not complied with or within 8 months after the end of that year. The matter is heard by the Warden and the Warden may recommend the forfeiture of the title, impose a penalty not exceeding A\$10,000 as an alternative to the forfeiture or dismiss the forfeiture application. Forfeiture cannot be recommended unless the Warden is satisfied that the non-compliance is, in the circumstances, of sufficient gravity to justify forfeiture.

Mining leases

Rights

The holder of a mining lease is entitled, subject to the Mining Act and conditions set out in the relevant mining lease, to work and mine the land, take and remove any minerals (except iron ore, unless expressly authorized by the Minister) and dispose of them, take and divert water for mining purposes subject to the Rights in Water and Irrigation Act 1914 of Western Australia, and do all things necessary to effectively carry out mining operations in, on or under the land. However, the grant of a mining lease does not in itself confer authority to produce minerals. Further approvals are generally required before production may commence. An application for a mining lease must be accompanied by either a mining proposal or a mineralization report and a statement setting out the relevant information about the mining operations to be carried out on the land. Before mining can commence on a mining lease, it is necessary to satisfy certain environmental procedures.

Title to all minerals is conferred by a mining lease subject to two exceptions. The first exception is iron ore. A mining lease does not permit mining of iron ore unless the Minister has specially so authorized and endorsed the lease. All of our live mining leases with respect to the Project have been endorsed for the mining of iron ore. The second exception is that the Minister, having regard to the locality where the land is situated and if in the public interest to do so, may grant a mining lease that authorizes mining only for one or more specified minerals. A royalty is payable to the State in respect of all minerals recovered from a mining lease at the rate prescribed for the relevant commodity in the Mining Act and Mining Regulations.

Term

Subject to the Mining Act, a mining lease remains in force for an initial term of 21 years and may be renewed, as of right, for a further term of 21 years. The Minister has the discretion to renew the term of a mining lease for further successive periods, each of not more than 21 years.

Area

The maximum area for a mining lease applied for before February 10, 2006 is 10 square kilometers. In respect of mining leases applied for on or after February 10, 2006, the Minister has discretion to grant a mining lease over an area of land less than the area of land in respect of which the mining lease is sought.

Ability to mortgage

A mining lease may be mortgaged as security for the repayment of money advanced or agreed to be advanced. However, it is a condition of each mining lease that the holder of the mining lease not mortgage a legal interest in it without first obtaining the written consent of the Minister or an officer of the DMP acting with the authority of the Minister.

Status of mining leases

MVPL is the registered holder of three mining leases granted under the Mining Act, as detailed in the table below. These mining leases cover:

Tenement	Grant date	Expiry date	Area	2010 expenditure conditions	2010 expenditure exemption applications
M58/279-1	June 4 1999	June 3 2020	835.9 HA	A\$83,600 Expended in full pursuant to Application for Exemption	Exemption application granted November 9, 2010.
M58/280-1	June 4, 1999	June 3, 2020	534.6 HA	A\$53,500 Expended in full pursuant to Application for Exemption	Exemption application granted November 9, 2010.
M58/178-1	July 12, 1991	July 11, 2012	966.9 HA	A\$96,700 Expended in full pursuant to Application for Exemption	Exemption application granted November 18, 2010.

Holders of a mining lease must comply with expenditure conditions unless a total or partial exemption has been granted. An application for exemption must be lodged before the end of the year to which the proposed exemption relates or within 60 days after the end of that year. Failure to comply with expenditure conditions without an application for exemption being granted renders a title liable to forfeiture. Any person may make an application for forfeiture during the relevant expenditure year in relation to which the requirement is not complied with or within 8 months after the end of that year. The matter is heard by the Warden and the Warden may recommend the forfeiture of the title or impose a penalty not exceeding A\$10,000 as an alternative to forfeiture or dismiss the forfeiture application. Forfeiture cannot be recommended unless the Warden is satisfied that the non-compliance is, in the circumstances, of sufficient gravity to justify forfeiture.

In addition, on March 5, 1998, MVPL made six mining lease applications. These applications are still pending and are detailed in the table below. These lease applications, together with MVPL's exploration licenses, are located in the general vicinity of MVPL's mining leases and cover adjoining prospective mineralized areas.

Application	Application date	Area	Expenditure conditions
M58/275	Application received March 5, 1998	990.01640 HA	N/A
M58/276	Application received March 5, 1998	996.61940 HA	N/A
M58/277	Application received March 5, 1998	905.19550 HA	N/A
M58/278	Application received March 5, 1998	970.92720 HA	N/A
M58/281	Application received March 5, 1998	157.30070 HA	N/A
M58/282	Application received March 5, 1998	71.79680 HA	N/A

Miscellaneous licenses

Rights

A miscellaneous license may be granted pursuant to the Mining Act over any land where the use of that land is directly connected with mining operations and is for a prescribed purpose under the Mining Regulations (for example, a road or pipeline). A miscellaneous license may be applied for over land that is the subject of an existing tenement, irrespective of whether that existing tenement is held by the applicant for the miscellaneous license. Conversely, a mining tenement may also be applied for over land that is the subject of an existing miscellaneous license, irrespective of whether that existing tenement is held by the applicant for the mining tenement. The miscellaneous license and the other mining tenements will

apply concurrently to the land for the reason that a miscellaneous license does not confer a right of exclusive title, use or occupation of the relevant land.

Term

A miscellaneous license granted after June 6, 1998 will remain in force for a term of 21 years, and may be renewed, as a matter of right, for a further 21 years. Subsequently, the Minister in its discretion may renew the term of a miscellaneous license applied for and granted after June 6, 1998 for further successive periods each of not more than 21 years. A miscellaneous license which at June 6, 1998 was in force or which was still an application at that date remains in force for a period of five years, but that term may be renewed.

Area

No minimum or maximum area is prescribed under the Mining Act for a miscellaneous license.

Ability to mortgage

A miscellaneous license may be mortgaged as security for the repayment of money advanced or agreed to be advanced or for the discharge of any liability. However, it is a condition of each miscellaneous license that the holder of the miscellaneous license not mortgage a legal interest in the land in respect of which the license is granted without first obtaining the written consent of the Minister or an officer of DMP acting with the authority of the Minister.

Status of miscellaneous licenses

MVPL is the registered holder of six miscellaneous licenses granted under the Mining Act as detailed in the table below. These miscellaneous licenses cover:

Tenement	Grant date	Expiry date	Area	2010 expenditure conditions
L58/27	June 23, 1998	June 22, 2013	1,675 HA	N/A
L58/28	June 23, 1998	June 22, 2013	790 HA	N/A
L58/29	November 12, 1998	November 11, 2013	46.25 HA	N/A
L58/30	November 12, 1998	November 11, 2013	2,275.7 HA	N/A
L58/32	July 3, 2001	July 2, 2022	202 HA	N/A
L58/35	June 12, 2009	June 11, 2030	670 HA	N/A

General purpose leases

Rights

A general purpose lease may be granted pursuant to the Mining Act over any land where the use of that land is directly connected with mining operations or is for a permitted purpose under the Mining Act (for example, depositing or treatment of minerals or tailings). A general purpose lease entitles the lessee to the exclusive occupation of the land for one or more of the permitted purposes, which must be specified in the lease.

Term

A general purpose lease remains in force, where it is granted in relation to a particular mining lease and contains no other provision for expiry, until it is surrendered or forfeited or until the date of surrender, forfeiture or expiry of the mining lease in relation to which it was granted or as specified in the general purpose lease (whichever is the longer period). In any other case a general purpose lease remains in force for 21 years, with an ability to renew, as of right, for a further 21 years. Subsequently, the Minister may renew the term of a general purpose lease for further successive periods, each of not more than 21 years.

Area

A general purpose lease may be granted in respect of an area of land not exceeding 10 hectares, unless the Minister is satisfied that a larger area of land is required for the purposes of the lease.

Ability to mortgage

A general purpose lease may be mortgaged as security for the repayment of money advanced or agreed to be advanced or for the discharge of any liability. However, it is a condition of each general purpose lease that the holder of the general purpose lease not mortgage a legal interest in the land in respect of which the lease is granted without first obtaining the written consent of the Minister or an officer of DMP acting with the authority of the Minister.

Status of general purpose lease

As at December 31, 2010, MVPL does not hold any general purpose leases in relation to the Project.

Mine closure plans

The Australian parliament recently passed legislation (although it has yet to come into force) amending the Mining Act to require proponents to include a mine closure plan or mine closure plans with their initial mining proposal and to review such plan or plans every three years or such other time as approved. All mine closure plans will also need to address both decommissioning and rehabilitation of all mines in accordance with the mine closure guidelines that will be jointly prepared by the Western Australian Department of Mines and Petroleum and the Environmental Protection Authority. Draft mine closure guidelines have been available for public comment. The guidelines, when finalized, are intended to specify the information required for the regulatory approval of mine closure plans and are based on the principle that planning for mine closure should be treated as a part of mine development planning from the outset. Such guidelines, when published, will set out the requirements of the Department of Mines and Petroleum and the Environmental Protection Authority for the mine closure plan to clearly outline the steps to allow a mine to be closed, decommissioned and rehabilitated in an environmentally sustainable manner, consultation with key stakeholders, identification of post-closure land use and post-closure objectives, and a summary of closure costs.

Once the amendments have come into force each mine closure plan contained in a relevant mining proposal is to be reviewed every three years (or no later than such other time as is approved in writing by a prescribed official) irrespective of whether changes are made to the project within the review period.

Such amendments may also impact the rates of environmental performance bonds we are required to provide to the Department of Mines and Petroleum for certain of our mining tenements. A moratorium on the current rate of environmental performance bonds ceased on December 31, 2010. There has been a minor increase to bond rates, and the current performance bonds system is now under review. The Department of Mines and Petroleum has released a preliminary discussion paper on Policy Options for Mining Securities in Western Australia. The methods for calculating bonds and how closure costs are to be addressed by regulation are the main topics of review and it is likely that bond costs will increase in the future. The final decision on the future mining securities system is expected to be made in mid 2011.

Native title approvals and law

Native title law

The common law of Australia recognizes a form of native title which reflects the entitlement of the indigenous inhabitants, in accordance with their laws or customs, to their traditional lands. Native title rights and interests must relate to land and waters. They may be communal, group or individual, but are not transferable. Native Title can be extinguished by acts of the Crown that are inconsistent with its continued existence, such as the grant of a freehold title.

The purpose of the Native Title Act is to recognize and protect native title rights and interests. It commenced on January 1, 1994. It provides for the recognition of native title and protects it from the effect of inconsistent acts without compliance with the processes it prescribes.

The Native Title Act covers 5 main areas:

- applications for a determination of native title – native title claims;
- validation of certain “past acts” that but for the Native Title Act may have been invalid due to the operation of the Racial Discrimination Act 1975 of Australia;
- confirmation of the validity of certain statutes, titles and public works;
- procedures which protect native title rights and govern the grant of titles in the context of “future acts”; and
- compensation for extinguishment of native title rights in some circumstances.

Native title claims

Under the Native Title Act, Aboriginal people may lodge an application in the Federal Court of Australia (the “Federal Court”) for a determination that native title exists in a parcel of land or area of water. The rights claimed may include rights such as the right to control use of or access to land and the resources of the land; the right to hunt, fish and gather on the land; and the right to protect cultural sites on the land.

A native title claimant must prove their claim in the Federal Court in order to have the native title recognized. This involves a hearing by the Federal Court as to whether the native title claimants can establish that native title continues to exist in relation to particular land and waters, and has not been extinguished.

To protect native title claimants’ rights during the determination process, which can take years, the Native Title Act provides a registration process. If a claim passes a basic prima facie test, it is registered. Registered native title claimants are afforded the same procedural rights as native title holders when an act is done that affects native title (such as the grant of a mining lease).

When native title is determined, the native title holders may make a further application to the Federal Court for a determination of what, if any, compensation may be payable for actions that have impacted on their native title rights in the past.

Extinguishment

Native title may be extinguished by legislation or the grant of interests in land which are inconsistent with the continued existence of native title. Native title may also cease to exist if a group loses connection with the land. Native title may be extinguished in whole or in part. For example the grant of a freehold title is completely inconsistent with all native title rights and it will wholly extinguish native title. Whereas the grant of a pastoral lease is only partially inconsistent with native title so may extinguish some rights such as any right to control access or use, but will not usually extinguish rights such as a right to pass over, or a right to collect bush medicine.

The High Court of Australia has held that any native title that may have existed has been extinguished in minerals in Western Australia (but not necessarily on the land on which those minerals are located). Minerals and petroleum themselves are excluded from most native title claims. The Native Title Act confirms the validity and effect of many extinguished acts but native title may also be extinguished at common law. Each of the States within Australia has enacted legislation which applies the provisions of the Native Title Act in that State. There are minor differences among the States.

Validity & future acts

Acts done after the commencement of the Native Title Act on January 1, 1994 that would affect native title (such as grants of freehold titles, or mining leases) must comply with the future act provisions of the Native Title Act. These provisions provide certain procedural rights to native title holders and registered native title claimants. Depending upon the nature of the grant, the procedural rights will range from a right to receive notice, or an opportunity to comment, through to a right to negotiate.

The “right to negotiate” procedure under the Native Title Act arises when a State or Territory gives written notice of its intention to grant a mining tenement. Under the Native Title Act only registered native title parties are entitled to negotiate. The State or Territory, the registered native title parties and the applicant for the tenement must negotiate in good faith with a view to agreeing to the grant of a tenement. If within 6 months the parties fail to reach an agreement, any party may apply to the Tribunal for a determination as to whether the tenement may be granted.

The Native Title Act provides exceptions to the obligation to engage in the right to negotiate process, including an exception for acts limited to exploration acts which are mining related acts whose sole purpose is constructing an “infrastructure facility”. If this exception applies, the State government must notify the native title holders, native title claimants and representative bodies being affected by the proposed act and must allow a two month period for objections to be lodged. Titles which are granted in compliance with the future act provisions will be valid. They will affect native title in the manner set out in the Native Title Act. Mining interests do not usually extinguish native title rather, they usually prevail over native title rights for the duration of the grant.

Titles which are not granted in compliance with the future act provisions of the Native Title Act may be invalid.

Native title approvals of the project

The Project’s tenements and tenement applications overlap the Badimia Native Title claim, which was accepted for registration under the Native Title Act in 1999.

Exploration Licenses E58/113-I and E58/117-I and mining lease M58/178-I were granted prior to January 1, 1994 and, as such, are either valid or validated under the Native Title Act.

A number of native title agreements have been entered into in relation to the Windimurra Project. The Badimia People consented to the grant of mining leases M58/279-I and M58/280 in a 1999 agreement with previous operators of the Project and the State of Western Australia. In 1998, the Badimia People also entered into an agreement with previous operators of the Project providing for the grant of miscellaneous licenses L58/29 and L58/30. The Project's former owners may assign or transfer its rights under the deed with the written consent of the Native Title parties, which must not be unreasonably withheld. MVPL is taking steps to confirm its rights as current owner of the Project with the Badimia People.

MVPL's remaining five tenements (E58/198, L58/27, L58/28, L58/32 and L58/35) have complied with the "Future Act" provisions of the Native Title Act and have been validly granted for the purposes of Native Title.

Aboriginal heritage law

Aboriginal heritage act

The Aboriginal Heritage Act 1972 of Western Australia (the "Heritage Act") provides for the protection and preservation of places and objects of significance and importance that are customarily used by or traditional to Australian Aboriginal people. The Heritage Act applies to all land and waters in Western Australia.

The places to which the Heritage Act applies are described as "Aboriginal sites" and include:

- places where Australian Aboriginal people have (or appear to have) left objects associated with their cultural life;
- sacred, ceremonial or ritual sites; and
- places which are (or were) associated with Aboriginal people and should be preserved because of their significance to the cultural heritage of the State.

A register of Aboriginal heritage sites is kept under the Heritage Act and administered by the Western Australian Department of Indigenous Affairs. However, sites and objects of significance to Aboriginal people are protected by the Heritage Act whether or not those sites are registered under the Heritage Act, and there is no requirement for sites to be registered. The register is often inaccurate and out of date.

The Heritage Act provides for the protection of, and regulates conduct which may impact upon, Aboriginal sites and objects. Specifically, the Heritage Act makes it an offence to excavate, destroy, damage, conceal or in any way alter an Aboriginal site without either:

- authorization from the Department of Indigenous Affairs' Registrar of Aboriginal heritage sites (the "Registrar"); or
- consent from the Minister for Indigenous Affairs (the "Heritage Minister").

The Heritage Act provides for the owner of land to give written notice to the Aboriginal Cultural Materials Committee that the land is required to be used for a purpose which may, without consent, result in a breach of the Heritage Act in respect of any Aboriginal site which may be on the land. Upon receiving the written notice, the Aboriginal Cultural Materials Committee must, as soon as it is reasonably able, form an opinion as to whether there is an Aboriginal site on the land; and, if a site exists, evaluate the importance and significance of the site. The Aboriginal Cultural Materials Committee must then submit the notice to the Heritage Minister together with a recommendation as to whether consent should be granted, and if so, the conditions to which the consent should be subject.

The Heritage Minister is obliged to consider the recommendation of the Aboriginal Cultural Materials Committee, and must also have regard to "the general interest of the community". Having done so, the Heritage Minister must either grant consent (with or without conditions), or refuse consent, to the land being used in the manner set out in the notice. If consent is given and an Aboriginal site is subsequently damaged or destroyed in the course of using the land for the required purpose, no offence is committed provided the conditions of the consent are complied with.

If an Aboriginal site is damaged or destroyed without consent being obtained that damage or destruction amounts to an offence under the Heritage Act. Failure to comply with a condition imposed by the Heritage Minister in certain circumstances is a separate offence under Section 55 of the Heritage Act.

A person convicted of an offence under the Heritage Act is liable to a penalty of A\$20,000 (or A\$40,000 if previously convicted under the Heritage Act) and/or imprisonment for nine months (or two years if previously convicted under the Heritage Act). If a corporation is convicted, penalties are increased to A\$50,000 (or A\$100,000 if previously convicted under the Heritage Act).

Where an offence under the Heritage Act which has been committed by a body corporate is proved to have been committed with the consent of or as a result of neglect on the part of any director, manager, secretary or officer of the body corporate, that person and the body corporate shall be deemed to have committed that offence and are liable to be proceeded against and punished as described in the previous sentence.

Two listed heritage sites exist within the current mine design. These heritage sites had been the subject of Ministerial approval granted to the previous operators of the mine, however, this approval does not cover MVPL and we will be required to make a new application for approval, which would enable us to expand the mine. Ministerial approval does not strictly approve site "removal," but allows the landowner to use land for the relevant approved "purpose." If notice is correctly given in practical terms this protects the landowner from prosecution if the use results in the destruction of the sites.

Commonwealth act

The Aboriginal and Torres Strait Islander Heritage Protection Act 1984 of Australia (the "Heritage Protection Act") may also apply to and protect significant Aboriginal areas and objects. The Heritage Protection Act aims to preserve and protect from injury or desecration areas and objects that are of particular significance to Aboriginal people in accordance with Aboriginal tradition. If the Federal Minister for Sustainability, Environment, Water, Population and Communities considers that a significant Aboriginal area or object is under threat of injury or desecration, the Federal Minister for Sustainability, Environment, Water, Population and Communities can make a declaration providing for the protection and preservation of the area or object. A person who contravenes the Heritage Protection Act is liable to a penalty of between A\$5,000 to A\$10,000 (A\$25,000 to A\$50,000 for a contravention by a body corporate) and/or imprisonment between two and five years. Only places that are declared protected are affected by the Heritage Protection Act.

Environmental approvals and law

Environmental law

Environmental law in Western Australia is governed by Commonwealth and State legislation and common law. The environmental impact of mining activities (including sea and land transport) in Western Australia are principally regulated through the Mining Act, the Environmental Protection Act 1986 of Western Australia (the "EP Act") and, where the activities are likely to impact on matters of national environmental significance, the Environment Protection and Biodiversity Conservation Act 1999 of Australia (the "EPBC Act"). In addition, material obligations may arise under:

- Conservation and Land Management Act 1984 of Western Australia;
- Contaminated Sites Act 2003 of Western Australia;
- Dangerous Goods Safety Act 2004 of Western Australia;
- Energy Efficiency Opportunities Act 2006 of Australia;
- Land Administration Act 1997 of Western Australia;
- Local Government Act 1995 of Western Australia;
- Local Government (Miscellaneous Provisions) Act 1960 of Western Australia;
- National Greenhouse and Energy Reporting Act 2007 of Australia;
- Planning and Development Act 2005 of Western Australia;
- Port Authorities Act 1999 of Western Australia;
- Rights in Water and Irrigation Act 1914 of Western Australia;
- Wildlife Conservation Act 1950 of Western Australia; and
- other relevant Western Australian and Australian Commonwealth legislation.

Mining tenements are ordinarily granted subject to conditions requiring rehabilitation of the site following mine closure. Principal among these conditions is a requirement that a company, before it can start mining, must submit progress of work or mining proposals (which may include management plans for environmental protection), and must enter into a performance bond with a recognized financial institution. The performance bond will be called upon by the government in the event that the mining company fails to, or fails to adequately, rehabilitate the mine site upon closure. Most conditions are standard to all mining tenements and usually require a "Mining Proposal" to be submitted to the Environment Branch

of the DMP stipulating the environmental management measures (among other things) proposed for the Project. These obligations are enforced through the DMP and tenements are liable to forfeiture for a breach of condition.

The EP Act provides four relevant sources of obligations:

- Ministerial approval and statement of conditions;
- Works approvals and licenses;
- General obligations not to pollute or cause environmental harm; and
- Regulations and policies.

If a proposed industrial, mining or infrastructure activity presents a likely risk of significant impact on the environment, a company will be required to refer the proposed Project to the Western Australian Environmental Protection Authority (the "EPA") to decide whether the Project requires environmental impact assessment and approval under the EP Act. If assessment is required, the company will be required to prepare, in advance of commencing operations, an environmental review document outlining the potential environmental impacts and management plans for dealing with those impacts. This document will be reviewed by the EPA, which will forward recommendations to the State Environment Minister. If satisfied with the proposed management of impacts, the State Environment Minister will subsequently issue a Ministerial approval and statement of conditions binding upon us. In addition, and even where a project is not significant enough to attract a Ministerial approval and statement of conditions, some aspects of an operation will require licensing under the EP Act (such as refining operations or bulk loading facilities at ports). These licenses may also be granted subject to conditions.

The EP Act also imposes general obligations on all persons not to pollute, not to cause serious or material environmental harm and not to clear native vegetation without a permit, a breach of which will result in a penalty under the EP Act. An EP Act license authorizes the licensee to conduct activities that might otherwise be an offence under the EP Act. Works approvals and operating licenses are issued by the Chief Executive Officer of the Western Australian Department of Environment and Conservation. Failure to comply with the conditions in a Ministerial approval, or with conditions in a works approval or operating license, may lead to monetary penalties in addition to various court orders.

Additionally, the EPBC Act enables the Commonwealth to be involved in environmental protection and biodiversity conservation. The EPBC Act is triggered where a proposed action is likely to have a significant impact on one or more matters of "national environmental significance" and puts in place environmental assessment and approval processes. The assessment process for higher levels of assessment (public environment report or environmental impact assessment) is streamlined under a Bilateral Agreement between WA and the Commonwealth. This means that only one set of assessment documentation is required to be prepared but the Commonwealth Minister for the Environment must grant a separate approval subject to conditions, which applies in addition to the state process.

Environmental approvals

Before commencing any ground disturbing activities, we must first obtain approvals from the State of Western Australia and, where the activities are likely to impact on matters of material environmental significance, the Commonwealth of Australia.

State of Western Australia

On October 22, 2007 the EPA determined that the proposed land clearing and mining below the base of weathering for the recommencement and extension of the Windimurra Vanadium Mine required assessment under the EP Act at the level of Environmental Protection Statement. The proponent prepared an Environmental Protection Statement that was assessed by the EPA. On June 16, 2008 the EPA published its report and recommendations to the State Minister for the Environment on the proposed project.

Following the environmental impact assessment the State Minister for the Environment issued Ministerial Statement 773 approving the referred proposal subject to conditions on August 13, 2008. A subsequent change to the land clearing requirements for the proposal by MVPL was approved by the Chairman of the EPA on February 24, 2009.

Commonwealth of Australia

The Project has not been referred to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities under the EPBC Act on the basis that our technical assessment did not identify any likely significant impact of the Project on a matter of national environmental significance.

Other environmental approvals

Following the State Minister for the Environment's approval under Part IV of the EP Act, we are required to obtain a number of other permits and approvals prior to commencing ground disturbance activities.

These approvals include:

- works approval and operating license to construct and operate certain "prescribed premises" on site (Department of Environment and Conservation);
- approval of Mining Proposal (DMP);
- license to construct or alter wells and license to take groundwater and to interfere with watercourses (Department of Water);
- dangerous goods handling, storage and transport licenses (DMP);
- permit for restricted access vehicles to use existing roads (Main Roads WA and relevant local governments);
- approval to construct and maintain the airstrip (Department of Planning);
- authority to take rare flora and fauna (Department of Environment and Conservation);
- approval and licenses for sewage treatment facilities, potable water treatment and a swimming pool at the camp (Department of Health and Shire of East Pilbara); and
- development approval and building permits (Shire of East Pilbara).

We have obtained all of the key environmental and other approvals that are necessary to construct the remaining Project works and begin mining.

Other approvals

Foreign acquisitions and takeovers

The acquisition of "interests in Australian urban land" and, subject to certain thresholds, interests in Australian companies and businesses, by "foreign entities" is regulated by the Foreign Acquisitions and Takeovers Act 1975 of Australia (the "FATA"). In particular, under FATA certain persons and corporations will be "foreign persons", or a company that is a "foreign person" for the purposes of the FATA, may not acquire an "interest in Australian urban land" unless prior notification of the proposed acquisition is given to the Treasurer of Australia (the "Treasurer") and the Treasurer indicates that he has no objection to the acquisition. The definition of Australian urban land is very broad and, subject to certain exceptions, includes among other things: (i) an interest as lessee or licensee in a lease or license (including, for example, a mining lease, general purpose lease and miscellaneous license) giving rights to occupy "Australian urban land" where the term of the lease or license (including any extension) is reasonably likely, at the time the interest is acquired, to exceed five years; (ii) an interest in an arrangement involving the sharing of profits or income from the use of, or dealings in, "Australian urban land"; and (iii) an interest in a share in an "Australian urban land corporation". The infrastructure necessary for the Project and the Mine Plan Tenements may be interests in Australian urban land for the purposes of the FATA. Notifications under the FATA to the Treasurer may be made through the Foreign Investment Review Board, an Australian Government body established to advise the Treasurer in relation to foreign investment.

Generally, a corporation will be a "foreign person" for the purposes of the FATA if:

- a natural person not ordinarily resident in Australia or a corporation incorporated outside the Commonwealth of Australia, together with its associates, either is in a position to control at least 15% of the voting power or potential voting power in the corporation or holds interests (or would hold interests if shares were issued upon the exercise of certain rights) in at least 15% of the issued shares in the corporation; or
- two or more such natural persons or corporations, together with their associates, are in a position to control in aggregate at least 40% of the voting power or potential voting power in the corporation or hold interests (or would hold interests if shares were issued upon the exercise of certain rights) in, in aggregate at least 40% of the issued shares in the corporation.

Based on the information currently available to it, Atlantic considers that it is currently a "foreign person." If, at the relevant time, Atlantic is a "foreign person," notification to the Treasurer will be required in respect of any future acquisitions of "Australian urban land" (or, subject to certain thresholds, interests in Australia companies and businesses) by it, or by its controlled entities, including MVPL, that occur when it or MVPL is a "foreign person". Depending on the availability of

certain exemptions, notifications may be required in relation to the acquisition of future grants of mining leases. If the Treasurer considers the acquisition to be contrary to the national interest then he may oppose the acquisition, in which case the acquisition may not proceed.

MVPL considers that notification to the Treasurer was not required in relation to its existing interests in the Mine Plan Tenements as these were acquired at a time when MVPL, to the best of its knowledge, was not a foreign person for the purposes of the FATA.

Investors requiring further information as to whether notifications are required under the FATA in respect of a proposed investment they may wish to make should consult their professional adviser.

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Competent Person's Consent Statement

The information in this project update that relates to ore reserves is based on information compiled by Quinton de Klerk who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. de Klerk is a Director and Principal of Cube Consulting Pty Ltd.

Mr. de Klerk has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. de Klerk consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

The information in this presentation that relates to exploration results and mineral resources is based on information compiled by Colin J.S. Arthur who is a Member of The Australasian Institute of Mining and Metallurgy and Fellow of the Geology Society of London. Mr. Arthur is a full-time employee of MVPL.

Mr. Arthur has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Arthur consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.