HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

ATLANTIC LTD

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CORPORATE INFORMATION

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Phiong Phillipus Darma (Non-Executive Director)
Bradley Ellis (Non-Executive Director)
Mike Daniel (Non-Executive Director)

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DIRECTORS' REPORT

Your Directors submit the half year report of Atlantic Ltd (**Atlantic** or the **Company**) and its controlled entities (the **Consolidated Entity** or the **Group**) for the half year ended 31 December 2014.

DIRECTORS

The Directors of the Company during the period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated below.

Mr Gary Lewis – Non-Executive Chairman

Mr Phiong Phillipus Darma – Non-Executive Director

Mr Bradley Ellis – Non-Executive Director

Dr Mike Daniel – Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

Windimurra Vanadium Project

Atlantic's wholly-owned subsidiary, Midwest Vanadium Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed – 11 and 12 February 2015) (**MVPL**) continued to suspend production of vanadium and iron ore during the period as a result of the substantial fire in the beneficiation plant in February 2014.

The focus during the period was the timely completion of the reconstruction of the fire damaged beneficiation plant.

Funding and restructure

MVPL entered into a new forbearance and support agreement with MVPL's Senior Secured Notes (**Notes Group**) to extend the existing standstill arrangements that ended on 15 August 2014 until 14 November 2014.

Under the forbearance agreement, the Notes Group agreed to continue the existing standstill arrangements in relation to MVPL's failure to deposit funds in its interest reserve account (**IRA**) and pay the February interest payment on its Senior Secured Notes and extend the standstill arrangements to include the failure to pay the interest payment on MVPL's Senior Secured Notes due 15 August 2014 until 14 November 2014.

In November and December 2014, MVPL entered into two further forbearance and support agreements with Notes Group to extend the existing standstill arrangements that ended on 14 November 2014 to 15 December 2014 and 15 January 2015 respectively.

Under the above-mentioned forbearance agreements, the Notes Group agreed with Atlantic and MVPL to use their good faith efforts to negotiate and execute a definitive agreement between MVPL and the Notes Group to effect a solvent restructuring of the Group during the forbearance period.

DIRECTORS' REPORT

In conjunction with the above forbearance agreements, MVPL also agreed related amendments to the existing $29.700 million secured loan with Droxford International Limited (**Droxford**) to extend the maturity date of that facility to align with the termination of each forbearance and support agreement.

During the forbearance period, Atlantic and MVPL continued discussions with its stakeholders regarding the additional funding required to implement the Company's new business plan, as well as an appropriate longer term capital structure for the business.

Beneficiation plant rebuild

Early in the period, the demolition of the fire damaged beneficiation plant was completed on time and on budget. In parallel with the demolition Atlantic appointed an independent contractor to complete the front end engineering and design work for the beneficiation plant rebuild.

Once this work had been completed Atlantic immediately tendered the design and construct contract for the beneficiation plant rebuild. The tender and review process was expedited and resulted in the award of the Engineering, Procurement and Construction (**EPC**) contract to Primero Group (**Primero**) in early October 2014.

Primero completed the structural and mechanical design work during the period and carried out substantial foundation works on site.

Fabrication of steel and platework was progressed during the period with the majority of off-site fabrication completed by period end.

Long lead items such as magnetic separators, cyclones and screens, procured prior to the period, were all delivered during the period.

Insurance

The Group continued to receive insurance proceeds under its comprehensive industrial special risks insurance policy. The insurance proceeds received related to both payments for material damage and business interruption. Material damage proceeds relate to rebuild costs for the beneficiation plant and business interruption proceeds relate to the ongoing standing expenses whilst the rebuild is completed.

During the period, the Group received a further $36.750 million in insurance proceeds taking the total insurance proceeds received at 31 December 2014 to $63.000 million.

Plant technical review

During the period, the Company completed the Windimurra plant technical review, which incorporated independent reviews of the crushing, milling and beneficiation (**CMB**) plant and the downstream refinery.

The primary production bottleneck identified in the reviews relates to the inability of the crushing and milling circuits in the CMB plant to reliably produce sufficient magnetite concentrate feed to match the capacity of the downstream refinery.

DIRECTORS' REPORT

After significant review and input from the MVPL's technical team, the recommended course of action involved a revision to the Windimurra process flow sheet which included replacing the existing secondary and tertiary crushers and high pressure grinding rolls (**HPGR**) with a semi-autogenous grinding (**SAG**) mill.

SAG mill technology is used throughout the world to grind a wide variety of ore bodies and was used successfully by the previous operator of the Windimurra project before being removed and replaced with the secondary and tertiary crushers and HPGR.

In addition, the review identified a number of less significant de-bottlenecking projects which MVPL intended to complete concurrently with the installation of a SAG mill.

A review of the existing mine plan also indicated that it was likely to be more efficient for MVPL to adopt a shallow pit mine plan that delivers a reduced waste to ore ratio whilst more closely matching the feed requirements of the processing plant.

The plant technical review and a wider business review demonstrated that, following implementation of this new process flow sheet and the rebuild of the fire damaged beneficiation plant, the Windimurra project would be expected to produce approximately 4,800 – 5,200 tonnes per annum of contained vanadium at steady state.

As part of this review, the Company also developed a plan to right-size the business to take into account these steady state production levels.

To fund the proposed capital expenditure and working capital required to implement the proposed process improvements identified as part of the business review, MVPL required additional funding. Atlantic was in discussions with its stakeholders regarding this additional funding as well as an appropriate longer term capital structure for the business when administrators were appointed to MVPL and Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**AVHPL**) subsequent to period end.

Safety

The Group maintained an excellent safety record during the period whilst substantial construction works were ongoing. There were no lost time injuries during the period.

ASX Suspension

Following the fire in the beneficiation plant on 4 February 2014, the Company requested a voluntary suspension in the trading of its securities. This suspension of trading remains in place.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

Funding and Restructure

After period end, Atlantic and MVPL continued discussions with its stakeholders regarding the additional funding required to implement the Company's new business plan, as well as an appropriate longer term capital structure for the business.

On 11 February 2015, the Notes Group informed Atlantic and MVPL that discussions regarding a solvent and consensual restructure of MVPL had been terminated as the relevant parties had not been able to reach a mutually acceptable agreement on the additional funding requirement and the long-term capital structure for the Windimurra project. At this date Atlantic lost control of the Group and the assets and liabilities of MVPL and AVHPL will be deconsolidated from this date. Refer to note 17 for the assets and liabilities of the parent entity at 31 December 2014 which excludes MVPL and AVHPL.

As a result of the discussions being terminated, the Director of Atlantic's wholly-owned subsidiaries MVPL and AVHPL appointed Darren Weaver, Martin Jones and Ben Johnson of Ferrier Hodgson as Joint and Several Administrators of MVPL and AVHPL on 11 February 2015.

The Notes Group subsequently appointed Norman Oehme, Keith Crawford and Matthew Caddy of McGrathNicol as Receivers and Managers of MVPL and AVHPL on 12 February 2015.

Atlantic continues to trade as it has sufficient cash to meet its ongoing commitments in addition to having a forbearance agreement from Droxford in relation to the Convertible Bonds and Promissory Notes due for repayment.

In May 2015, Atlantic entered into a formal forbearance agreement with Droxford until 6 October 2015. Under the terms of the forbearance agreement, Droxford agrees that it will forbear and not take any action to accelerate any of its Convertible Bond or Promissory Note debts until 6 October 2015, subject to certain conditions including that there are no further defaults by Atlantic under those finance documents.

In consideration for this forbearance, Atlantic paid a total of $2.260 million to Droxford in part payment of outstanding Convertible Bond interest due for payment.

Atlantic also has on issue a $2.500 million Promissory Note with a third party. The forbearance agreement consented to this amount plus accrued interest of $0.720 million to be repaid. The Company repaid and settled the Promissory Note in May 2015.

As a result of the administration of MVPL and AVHPL, Atlantic will need to deconsolidate these entities for reporting purposes. The financial position of the parent entity as at 31 December 2014 is shown in note 17 (Parent Entity Disclosures).

Beneficiation Plant Rebuild

Following period end, the EPC contractor continued to progress the rebuild of the beneficiation plant.

DIRECTORS' REPORT

Steel and platework fabricated off-site was delivered to site and the EPC contractor commenced construction of the structural components of the beneficiation plant.

As at the date of the appointment of administrators to MVPL and AVHPL on 11 February 2015, Primero had completed the civils, earthworks, fabrication and commenced construction of the beneficiation plant.

Insurance

The Group has received further progress payments of $26.754 million since 31 December 2014, bringing the total progress payments received under its material damage and business interruption insurance policy to date to $89.753 million.

Research and Development Tax Incentive

Subsequent to period end, the Company received $16.032 million Research and Development Tax Incentive for the financial year ended 30 June 2014.

ROUNDING

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the Board of Directors.

MR GARY LEWIS

Non-Executive Chairman

Perth, Western Australia

Dated this 25th day of June 2015

AUDITOR'S INDEPENDENCE DECLARATION

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Building a better working world

Auditor's Independence Declaration to the Directors of Atlantic Ltd

In relation to our review of the financial report of Atlantic Ltd for the half year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
25 June 2015

GB:EH:ATI:054

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Revenue	3	5,239	6,836
Cost of sales	3	(5,162)	(71,179)
Gross loss		77	(64,343)
Selling and distribution expenses	3	(376)	(177)
Administrative expenses	3	(13,924)	-
Other net operating income/(expenses)	3	(24,424)	16,233
Corporate expenses	3	(7,905)	(4,888)
Impairment	3	(15,950)	(428,860)
Loss before interest and tax		(62,502)	(482,035)
Finance expenses	3	(61,920)	(70,121)
Loss before tax		(124,422)	(552,156)
Tax expense		-	-
Loss after tax		(124,422)	(552,156)
Other comprehensive income		-	-
Total comprehensive loss for the period		(124,422)	(552,156)
		Cents	Cents
Basic and diluted loss per share		(80.4)	(356.8)

The above Interim Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
Assets			
Current assets			
Cash and cash equivalents	5	4,591	8,075
Trade and other receivables	6	18,654	17,970
Inventory	7	7,953	12,480
Other current assets	8	1,096	2,389
Total current assets		32,294	40,914
Non-current assets			
Property, plant and equipment	9	21,455	18,534
Total non-current assets		21,455	18,534
Total assets		53,749	59,448
Liabilities			
Current liabilities			
Trade and other payables	10	100,570	69,311
Loans and borrowings	11	692,149	608,649
Provisions	12	3,352	3,575
Total current liabilities		796,071	681,535
Non-current liabilities			
Provisions	12	47,037	42,930
Total non-current liabilities		47,037	42,930
Total liabilities		843,108	724,465
Net liabilities		(789,359)	(665,017)
Shareholders' deficit			
Contributed equity	13	129,814	129,814
Reserves		(3,784)	(3,864)
Accumulated losses		(915,389)	(790,967)
Total shareholders' deficit		(789,359)	(665,017)

The above Interim Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Ordinary shares $'000	Option reserve $'000	Shares reserved for Share Incentive Plan $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2014	129,814	-	(3,864)	(790,967)	(665,017)
Loss for the period	-	-	-	(124,422)	(124,422)
Total comprehensive loss for the period	-	-	-	(124,422)	(124,422)
Transactions with owners in their capacity as owners:					
Share based payments to employees	-	-	80	-	80
Balance at 31 December 2014	129,814	-	(3,784)	(915,389)	(789,359)

	Ordinary shares $'000	Option reserve $'000	Shares reserved for Share Incentive Plan $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2013	129,814	-	(4,099)	(153,869)	(28,154)
Loss for the period	-	-	-	(552,156)	(552,156)
Total comprehensive loss for the period	-	-	-	(552,156)	(552,156)
Transactions with owners in their capacity as owners:					
Share based payments to employees	-	-	195	-	195
Balance at 31 December 2013	129,814	-	(3,904)	(706,025)	(580,115)

The above Interim Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		3,984	12,868
Payments to suppliers and employees		(26,744)	(68,539)
Interest paid		(38)	(21,903)
Net cash flows used in operating activities		(22,798)	(77,574)
Cash flows from investing activities			
Insurance claim proceeds		36,750	-
Purchase of property, plant and equipment		(15,081)	(3,666)
Research and Development Tax Incentive receipts		-	29,546
Release of restricted cash		375	8,495
Interest received		100	61
Net cash flows from/(used in) investing activities		22,144	34,436
Cash flows from financing activities			
Proceeds from issue of Convertible Bond and Promissory Notes		-	40,000
Proceeds from Research and Development Tax Incentive facility		-	19,100
Repayment of Research and Development Tax Incentive facility		-	(19,100)
Advances for product financing		601	4,023
Repayment of product financing		(3,433)	(709)
Net cash flows from/(used in) financing activities		(2,832)	43,314
Net increase/(decrease) in cash and cash equivalents		(3,486)	176
Cash and cash equivalents at beginning of the period		8,075	75
Net foreign exchange differences		2	356
Cash and cash equivalents at end of the period	5	4,591	607

The above Interim Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1 CORPORATE INFORMATION

The interim consolidated financial report of Atlantic Ltd for the half year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 25 June 2015.

Atlantic Ltd (**Atlantic** or the **Company**) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office and principal place of business of the Company is Level 11, Brookfield Place, 125 St Georges Terrace, Perth WA 6000. The interim consolidated financial report of the Company for the half year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the **Consolidated Entity** or **Group**).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation

This interim consolidated financial report for the half year reporting period ended 31 December 2014 is a general purpose condensed financial report prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Atlantic during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except as disclosed, below the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

B Going Concern

As at 31 December 2014, the Group has the following going concern indicators:

- A working capital deficiency of $763.777 million with cash-on-hand of $4.591 million;
- A net asset deficiency of $789.359 million; and
- The Group incurred an interim loss after impairment of $124.422 million for the half year ended 31 December 2014 and had cash out-flows from operating and investing activities of $0.654 million.

Atlantic's wholly-owned subsidiary, Midwest Vanadium Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed – 11 and 12 February 2015) (**MVPL**) breached the Senior Secured Notes indenture (**Indenture**) governing its Senior Secured Notes by failing to maintain adequate cash levels in the interest reserve account (**IRA**) (US$5.000 million) in addition to failing to pay the February 2014 (US$19.262 million) half yearly interest payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Going Concern (Continued)

During the period, MVPL also failed to pay the August 2014 half yearly interest payment (US$20.519 million).

MVPL's ongoing breaches of its Indenture during the period were subject to forbearance and support agreements with MVPL's Senior Secured Notes (**Notes Group**). These agreements stated that the stakeholders must use their good faith efforts to negotiate and execute a definitive agreement between them to effect a solvent restructuring of MVPL during the forbearance period.

On 11 February 2015, the Notes Group informed Atlantic and MVPL that discussions regarding a solvent consensual restructure of MVPL had been terminated as the relevant parties had not been able to reach a mutually acceptable agreement on the additional funding requirement and the long-term capital structure for the Windimurra project.

As a result of the discussion being terminated, the Director of MVPL appointed Darren Weaver, Martin Jones and Ben Johnson of Ferrier Hodgson as Joint and Several Administrators of MVPL and Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**AVHPL**). The Notes Group subsequently appointed Norman Oehme, Keith Crawford and Matthew Caddy of McGrathNicol as Receivers and Managers of MVPL and AVHPL.

Notwithstanding the above, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis having regards to the following factors:

- Atlantic had $13.505 million in available cash at the date of losing control of MVPL and AVHPL and has cash on hand of $6.625 million as at 31 May 2015;
- Atlantic did not guarantee any of the debts of MVPL and AVHPL and accordingly it is not exposed to the creditors of these entities;
- As at 31 December 2014 Atlantic has $290.341 million (including MVPL and AVHPL loans with Droxford International Limited (**Droxford**) of $33.532 million at 31 December 2014) in due and payable facilities to Droxford. Atlantic (excluding MVPL and AVHPL, which are no longer subsidiaries of the Group) has entered into a forbearance agreement with Droxford to forbear the outstanding principal and interest on the Convertible Bonds and Promissory Notes until 6 October 2015; and
- During the forbearance period Atlantic and Droxford intend to use their best efforts to negotiate and effect a solvent restructuring.

There are a number of inherent uncertainties about the achievement of Atlantic's future plans including but not limited to:

- Successful negotiation of a solvent restructuring with Droxford;
- Successful consent and approval of the solvent restructuring by all required stakeholders; and
- Managing Atlantic's ongoing working capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Going Concern (Continued)

Should Atlantic not be able to manage the inherent uncertainties referred to above, there would be significant uncertainty as to whether Atlantic would be able to meet its debts as and when they fall due and thus continue as a going concern. The Directors believe there is a reasonable prospect of a solvent restructuring being effected with Droxford during the forbearance period and therefore it is appropriate to prepare these accounts on a going concern basis.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or reclassification of liabilities that might be necessary should Atlantic not be able to continue as a going concern.

C New Accounting Standards and Interpretations

From 1 July 2014, the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2014. The Group has not elected to early adopt any new accounting standards and interpretations.

New standards adopted by the Group include:

- **AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle – Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2010-2013 Cycle**

  AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. AASB 2014-1 has had no impact on the financial position and performance of the Group.

- **AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets**

  AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. AASB 2013-3 has had no impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE AND EXPENSES

	31 December 2014 $'000	31 December 2013 $'000
Revenue		
Ferrovanadium	4,490	739
Iron ore	749	6,097
	5,239	6,836
Cost of sales		
Ferrovanadium	(4,703)	(54,368)
Iron ore	(338)	(10,440)
Government royalties	(9)	(396)
Carbon tax	-	(843)
Depreciation	(112)	(5,132)
	(5,162)	(71,179)
Selling and distribution expenses		
Selling and distribution costs	(376)	(177)
	(376)	(177)
Administrative expenses		
Care and maintenance post fire at beneficiation plant	(13,924)	-
	(13,924)	-
Other net operating income/(expenses)		
Insurance claim proceeds	36,750	-
Foreign exchange loss	(61,270)	(14,534)
Fair value of derivatives gain	-	30,704
Interest revenue	91	53
Other revenue	5	10
	(24,424)	16,233
Corporate expenses		
Depreciation	-	(254)
Employee benefits expense	(2,016)	(446)
Other corporate costs	(5,889)	(4,188)
	(7,905)	(4,888)
Impairment		
Impairment of property, plant and equipment	(15,937)	(428,860)
Impairment of prepayments	(13)	-
	(15,950)	(428,860)
Finance expenses		
Interest expense – Senior Secured Notes	(35,001)	(21,919)
Interest expense – Droxford Secured Loan	(2,721)	-
Interest expense – Class A, B, C and D Convertible Bonds	(23,589)	(19,866)
Loss on remeasure of liability	-	(27,029)
Interest expense – other loans and borrowings	(21)	(730)
Unwinding of the discount of the rehabilitation provision	(588)	(577)
	(61,920)	(70,121)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 DIVIDENDS

There were no dividends paid or provided during the half year and up to the date of this report.

5 CASH AND CASH EQUIVALENTS

For the purpose of the Interim Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

	31 December 2014 $'000	30 June 2014 $'000
Current cash and cash equivalents		
Cash at bank and on hand	4,591	8,075

6 TRADE AND OTHER RECEIVABLES

	31 December 2014 $'000	30 June 2014 $'000
Current trade and other receivables		
Trade receivables	1,392	428
Goods and Services Tax (**GST**) receivable	639	355
Restricted cash on deposits	468	791
Research and Development Tax Incentive receivable	16,039	16,039
Sundry receivables	116	357
	18,654	17,970

7 INVENTORY

	31 December 2014 $'000	30 June 2014 $'000
Stores and consumable supplies - at net realisable value	5,870	5,985
Finished inventory on consignment - at net realisable value	2,083	6,495
	7,953	12,480

Stores and consumable supplies net realisable value expense was $0.268 million (2013: $nil) for the Group. Finished inventory on consignment net realisable value expense was $0.675 million.

8 OTHER CURRENT ASSETS

	31 December 2014 $'000	30 June 2014 $'000
Prepayments	1,395	3,752
Impairment allowance	(299)	(1,363)
	1,096	2,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT

	Site plant & equipment $'000	Office equipment $'000	Assets under construction $'000	Mine properties & development $'000	Total $'000
At 1 July 2014 net of accumulated depreciation	18,494	40	-	-	18,534
Borrowing costs capitalised					
Additions	-	-	15,262	285	15,547
Disposals	(96)	-	-	-	(96)
Impairment	-	-	(12,133)	(3,804)	(15,937)
Change in rehabilitation provision	-	-	-	3,519	3,519
Depreciation charge for the period	(111)	(1)	-	-	(112)
At 31 December 2014 net of accumulated depreciation	18,287	39	3,129	-	21,455
At 31 December 2014					
Cost	495,799	2,108	19,429	48,827	566,163
Accumulated depreciation and impairment	(477,512)	(2,069)	(16,300)	(48,827)	(544,708)
Net carrying amount	18,287	39	3,129	-	21,455
At 30 June 2014					
Cost	495,897	2,108	3,157	45,023	546,185
Accumulated depreciation and impairment	(477,403)	(2,068)	(3,157)	(45,023)	(527,651)
Net carrying amount	18,494	40	-	-	18,534

December 2014 Impairment

As at 31 December 2014, the Group had identified the following factors indicating a potential trigger for impairment:

- A major fire occurred in the beneficiation plant on 4 February 2014 resulting in extensive damage to the plant and the suspension of vanadium production for an extended period;
- Independent consultants, SRK Consulting (**SRK**), completed a review of the Windimurra plant which identified a number of bottlenecks that were expected to limit vanadium production to levels below previously expected nameplate capacity and that had to be addressed to reach sustainable levels of production; and
- During the period, it was identified that approximately $130.000 million additional capital was required to rectify the bottlenecks identified, which included replacing the existing secondary and tertiary crushers and high pressure grinding rolls (**HPGR**) with a semi-autogenous grinding (**SAG**) mill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

December 2014 Impairment (Continued)

The carrying value of the Windimurra project property, plant and equipment has been determined based on the higher of fair value less costs to sell and value in use. Fair value less costs to sell resulted in a higher valuation as under the value in use methodology, any cash inflows and outflows from improving or enhancing the assets performance after balance date had to be excluded.

Fair value less costs to sell is determined based on similar recent market transactions. If no recent market transactions can be identified, then fair value has been determined based on current replacement cost less an adjustment for obsolescence and cost of disposal. The adjustment for obsolescence factors include a combination of physical deterioration, installation and relocation costs and the uniqueness of the asset.

Fair value has been determined based on the assets highest and best value. It was determined that a market participant acquiring the assets would place a higher value on individual assets rather than as a separate cash generating unit (**CGU**).

During the period, MVPL incurred $15.262 million rebuilding the fire damaged beneficiation plant. This balance in assets under construction has been impaired to fair value less costs to dispose consistent with the Valquip methodology applied at 30 June 2014.

Based on the above assumptions, the Group has recognised an impairment charge of $15.937 million as at 31 December 2014 for property, plant and equipment.

10 TRADE AND OTHER PAYABLES

	31 December 2014 $'000	30 June 2014 $'000
Trade payables	3,207	8,063
Interest payable - Promissory Notes	1,895	1,702
Interest payable - Convertible Bonds	17,744	15,729
Interest payable – Senior Secured Notes	71,449	37,488
Interest payable – Droxford Secured Loan	838	157
Other payables	5,437	6,172
	100,570	69,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTEREST BEARING LIABILITIES

	31 December 2014 $'000	30 June 2014 $'000
Current loans and borrowings		
Insurance funding (i)	927	509
FeV product financing (ii)	2,217	4,692
Promissory Notes (iii)	26,971	24,224
Droxford Secured Loan (iv)	32,695	30,654
Senior Secured Notes (v)	419,141	357,005
Bond liability (vi)	210,198	191,565
	692,149	608,649

All loans and borrowings are disclosed as current as at 31 December 2014 as a consequence of breaches of the Indenture (for non-payment of the bi-annual 15 February 2014 and 15 August 2014 interest payment amongst others), and the consequential cross default on all other loans and borrowings. It is assumed that all loans and borrowings mature on 15 January 2015, being the termination date of the standstill arrangements in place at 31 December 2014, except the insurance funding and ferrovanadium (**FeV**) product financing. Refer note 18 for subsequent events relating to the standstill arrangements and restructure.

(i) Insurance funding

The Group has premium funded insurance for its assets. The insurance funding contract expires within one year.

(ii) FeV product financing

Graceland Industry Pty Ltd (**Graceland**) provides advances to MVPL for 85% (2013: 80%) of the calculated market value of the delivered Windimurra vanadium product under the sales and marketing agreement with Wengfu (Group) Co Ltd. The advance is paid back to Graceland upon final sale of vanadium product to end customers. Interest is payable on the advance at 4.13% (2013: 4.23%) per annum, with the security for the advance being the vanadium inventory.

(iii) Promissory Notes

The Promissory Notes relate to a principal balance of $20.000 million to Droxford and $2.500 million to a third party.

The Droxford Promissory Notes are due and payable at the end of the standstill arrangements being 15 January 2015 and interest was payable at the rate of 22.5% per annum semi-annually in arrears. Droxford has the option to elect whether to receive cash or capitalise the interest on the Promissory Notes.

The third party Promissory Note matured on 21 July 2014 with interest payable at the rate of 22.5% and payable in cash on the maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTEREST BEARING LIABILITIES (CONTINUED)

(iii) Promissory Notes (Continued)

As at 31 December 2014, the facilities have been fully drawn and all interest due and payable has been capitalised into the principal balance.

(iv) Droxford Secured Loan

The Droxford Secured Loan is secured parri passu with the Senior Secured Notes and has a coupon of 17% per annum and matured on 15 August 2014. The Droxford Secured Loan has been subject to ongoing forbearances during the period. As at 31 December 2014 the Droxford Secured Loan had a forbearance to 15 January 2015.

(v) Senior Secured Notes

In February 2014, MVPL failed to deposit US$5.000 million into its IRA and as a result was in technical breach of the Indenture. In addition, MVPL failed to pay the half yearly interest payment in February 2014 (US$19.262 million) and August 2014 (US$20.519 million) resulting in further breaches under the Indenture.

In March 2014, MVPL agreed a standstill arrangement – providing forbearance and support – with the Notes Group. Under the standstill arrangement, the Notes Group agreed to forbear MVPL's default for failure to deposit US$5.000 million in the IRA and its failure to pay the February 2014 interest payment until 15 August 2014.

MVPL entered into a new forbearance and support agreement with the Notes Group to extend the existing standstill arrangements that ended on 15 August 2014 until 14 November 2014.

Under the forbearance agreement, the Notes Group agreed to continue the existing standstill arrangements in relation to MVPL's failure to deposit funds in its IRA and pay the February interest payment on its Senior Secured Notes and extend the standstill arrangements to include the failure to pay the interest payment on MVPL's Senior Secured Notes due 15 August 2014 until 14 November 2014.

In November and December 2014, MVPL entered into two further forbearance and support agreements with the Notes Group to extend the existing standstill arrangements that ended on 14 November 2014 to 15 December 2014 and 15 January 2015 respectively.

Under the above-mentioned forbearance agreements, the Notes Group agreed with Atlantic and MVPL to use their good faith efforts to negotiate and execute a definitive agreement between MVPL and the Notes Group to effect a solvent restructuring of the Group during the forbearance period.

At 31 December 2014, the Senior Secured Notes have a carrying value calculated by using the amortised cost method assuming they become due and payable at the end of the standstill arrangement being 15 January 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTEREST BEARING LIABILITIES (CONTINUED)

(vi) Bond liability

As at 31 December 2014, Class A and B Convertible Bonds and Class C and D Bond liabilities have been classified as current liabilities. Although the conversion option is available for Class A and Class B Convertible Bonds, the Company has determined there is no likelihood this option will be exercised by the holder and that the fair value of the associated embedded derivative is $nil (2013: $0.269 million).

At 31 December 2014, the Bond liabilities have a carrying value calculated by using the amortised cost method assuming they become due and payable at the end of the standstill arrangement being 15 January 2015.

12 PROVISIONS

	31 December 2014 $'000	30 June 2014 $'000
Current provisions		
Acquisition levy	2,312	2,312
Annual leave	1,040	1,263
	3,352	3,575
Non-current provisions		
Rehabilitation provision	47,037	42,930
	47,037	42,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EQUITY

	31 December 2014 No. Shares	31 December 2014 $'000
Ordinary shares		
Movements in ordinary shares on issue		
Opening balance at 1 July 2014	154,757,339	129,814
Issue of shares	-	-
At 31 December 2014	154,757,339	129,814

	31 December 2013 No. Shares	31 December 2013 $'000
Ordinary shares		
Movements in ordinary shares on issue		
Opening balance at 1 July 2013	154,757,339	129,814
Issue of shares	-	-
At 31 December 2013	154,757,339	129,814

	No. Shares	$'000
Performance shares		
At 31 December 2014	66	-
At 31 December 2013	66	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2014:

	Loans/liabilities and receivables $'000	Fair value through profit and loss $'000	Fair value through other comprehensive income $'000
Financial assets:			
Receivables	18,457	-	-
Total current	18,457	-	-
Financial derivative asset	-	-	-
Total non-current	-	-	-
Total	18,457	-	-
Financial liabilities:			
Payables	100,570	-	-
Loans and borrowings	692,149	-	-
Financial derivative liability	-	-	-
Total current	792,719	-	-
Loans and borrowings	-	-	-
Total non-current	-	-	-
Total	792,719	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS (CONTINUED)

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2014:

	Carrying amount $'000	Fair value $'000
Financial assets:		
Receivables	18,457	18,457
Total current	18,457	18,457
Financial derivative asset	-	-
Total non-current	-	-
Total	18,457	18,457
Financial liabilities:		
Payables	100,570	9,206
Loans and borrowings	692,149	79,493
Financial derivative liability	-	-
Total current	792,719	88,699
Loans and borrowings	-	-
Total non-current	-	-
Total	792,719	88,699

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between categories during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2014, the Group held the following financial instruments measured at fair value:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities measured at fair value:				
Gas transport derivative (i)	-	-	-	-
Convertible Bond derivative (ii)	-	-	-	-
Total	-	-	-	-

(i) The fair value of $nil has been determined using inputs for the gas transport derivative that are not based on observable market data. The fair value estimate at 31 December 2014 assumed that minimal gas would be transported and used an independent vanadium price forecast.

(ii) The fair value of $nil for the embedded derivative associated with the Class A and B Convertible Bonds has been determined on inputs not based on observable market data. These include an estimate of Atlantic's share price of $nil based on the suspension of shares from trading on the ASX and the shareholders' deficit at 31 December 2014.

15 SEGMENT INFORMATION

The Group had assessed its operating segments for the period ended 31 December 2014 and has identified one operating segment being the Windimurra vanadium project.

The operating segments are identified by management based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining allocation of resources.

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other than described elsewhere in the financial report, the Directors are not aware of any contingent liabilities or contingent assets as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 PARENT ENTITY DISCLOSURES

	31 December 2014 $'000	30 June 2014 $'000
Current assets	2,548	7,490
Non-current assets	-	-
Total assets	2,548	7,490
Current liabilities	245,860	234,282
Non-current liabilities	-	-
Total liabilities	245,860	234,282
Contributed equity	129,814	129,814
Reserves	(3,784)	(3,864)
Accumulated losses	(369,342)	(352,292)
Total shareholders' deficit	(243,312)	(226,342)

18 EVENTS AFTER THE BALANCE SHEET DATE

Funding and Restructure

After period end, Atlantic and MVPL continued discussions with its stakeholders regarding the additional funding required to implement the Company's new business plan, as well as an appropriate longer term capital structure for the business.

On 11 February 2015, the Notes Group informed Atlantic and MVPL that discussions regarding a solvent and consensual restructure of MVPL had been terminated as the relevant parties had not been able to reach a mutually acceptable agreement on the additional funding requirement and the long-term capital structure for the Windimurra project. At this date Atlantic lost control of the Group and the assets and liabilities of MVPL and AVHPL will be deconsolidated from this date. Refer to note 17 for the assets and liabilities of the parent entity at 31 December 2014 which excludes MVPL and AVHPL.

As a result of the discussions being terminated, the Director of Atlantic's wholly-owned subsidiaries MVPL and AVHPL appointed Darren Weaver, Martin Jones and Ben Johnson of Ferrier Hodgson as Joint and Several Administrators of MVPL and AVHPL on 11 February 2015.

The Notes Group subsequently appointed Norman Oehme, Keith Crawford and Matthew Caddy of McGrathNicol as Receivers and Managers of MVPL and AVHPL on 12 February 2015.

Atlantic continues to trade as it has sufficient cash to meet its ongoing commitments in addition to having a forbearance agreement from Droxford in relation to the Convertible Bonds and Promissory Notes due for repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

Funding and Restructure (Continued)

In May 2015, Atlantic entered into a formal forbearance agreement with Droxford until 6 October 2015. Under the terms of the forbearance agreement, Droxford agrees that it will forbear and not take any action to accelerate any of its Convertible Bond or Promissory Note debts until 6 October 2015, subject to certain conditions including that there are no further defaults by Atlantic under those finance documents.

In consideration for this forbearance, Atlantic paid a total of $2.260 million to Droxford in part payment of outstanding Convertible Bond interest due for payment.

Atlantic also has on issue a $2.500 million Promissory Note with a third party. The forbearance agreement consented to this amount plus accrued interest of $0.720 million to be repaid. The Company repaid and settled the Promissory Note in May 2015.

As a result of the administration of MVPL and AVHPL, Atlantic will need to deconsolidate these entities for reporting purposes. The financial position of the parent entity as at 31 December 2014 is shown in note 17 (Parent Entity Disclosures).

Beneficiation Plant Rebuild

Following period end, the Engineering, Procurement and Construction (**EPC**) contractor continued to progress the rebuild of the beneficiation plant.

Steel and platework fabricated off-site was delivered to site and the EPC contractor commenced construction of the structural components of the beneficiation plant.

As at the date of the appointment of administrators to MVPL and AVHPL on 11 February 2015, Primero Group had completed the civils, earthworks, fabrication and commenced construction of the beneficiation plant.

Insurance

The Group has received further progress payments of $26.754 million since 31 December 2014, bringing the total progress payments received under its material damage and business interruption insurance policy to date to $89.753 million.

Research and Development Tax Incentive

Subsequent to period end, the Company received $16.032 million Research and Development Tax Incentive for the financial year ended 30 June 2014.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Atlantic Ltd, I state that:

In the opinion of the Directors:

1. The financial statements and notes of the Consolidated Entity for the half year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:

   a) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and

   b) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the *Corporations Regulations 2001*.

2. Subject to the matters discussed in note 2B, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

MR GARY LEWIS
Non-Executive Chairman
Perth, Western Australia

Dated this 25th day of June 2015

INDEPENDENT AUDITOR'S REPORT

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Independent review report to the members of Atlantic Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Atlantic Limited, which comprises the interim consolidated statement of financial position as at 31 December 2014, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Atlantic Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

GB:EH:ATI:051

INDEPENDENT AUDITOR'S REPORT

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Basis for Qualified Review Conclusion

We issued a disclaimer of review conclusion on the financial report of the consolidated entity for the half year ended 31 December 2013 as we were unable to obtain sufficient appropriate evidence to assess:

(i) whether the consolidated entity could achieve specific matters relating to its ability to continue as going concern and;

(ii) the reasonableness of the directors' fair value less cost of disposal assumptions supporting the impairment assessment undertaken on the majority of the assets at 31 December 2013, and the resultant impairment charge of $428,860,000 for the half year ended 31 December 2013 and impaired carrying value of $46,956,000 at 31 December 2013.

Our conclusion on the current period's financial report is modified because of the possible effect of these matters on the comparability of the current period's figures and the corresponding figures.

Qualified Review Conclusion

Based on our review, which is not an audit, except for the effects of the matters described in the Basis for Qualified Review Conclusion paragraphs, we have not become aware of any matter that makes us believe that the half-year financial report of Atlantic Ltd is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without further qualification to our Qualified Review Conclusion, we draw attention to Note 2B in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity (which at the date of signing this report excludes the two subsidiaries which own the Vanadium operation being Atlantic Vanadium Holdings Pty Ltd and Midwest Vanadium Pty Ltd due to them being in receivership) may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
25 June 2015

GB:EH:ATI:051