2015 ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

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

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ATI

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report on the Consolidated Entity, being Atlantic Ltd (**Atlantic** or the **Company**) and its controlled entities (for the period in which those subsidiaries were controlled by the Company) (the **Consolidated Entity** or the **Group**) for the year ended 30 June 2015.

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

Appointed 11 March 2014, resigned 19 October 2015

BCom, MBT

Mr Lewis is the founding Director of Robust Resources Limited and holds a Bachelor of Commerce and Masters of Business & Technology (MBT) from the University of NSW. He has more than 25 years' experience in capital markets and business and strategy development in Australia and Asia, having worked in senior management positions in both private and public enterprises, predominantly in industries as diverse as mining/exploration and pharmaceuticals.

During the past three years he has also served as a Director of the following listed companies:

Tengri Resources;

Robust Resources Limited; and

Medical Australia Ltd.

Mr Phiong Phillipus Darma – Non-Executive Director

Appointed 18 November 2010

BAcc, MAcc

Mr Phillipus is a senior executive of the Salim Group of Companies. Mr Phillipus has extensive experience in the resources sector. He was involved in the acquisition of PT Sebuku Iron Lateritic Ore, an iron ore mining company located in South Kalimantan and is currently appointed as commissioner of the company. He is also a member of the Steering Committee of PT Ithaca Resources, an emerging coal company in East Kalimantan. In addition to his current roles, Mr Phillipus has previously held senior positions with PT Indocement Tunggal Prakarsa, the largest cement company in Indonesia and he also previously served as a Director of PT Indosiar Karya Media Tbk.

Mr Bradley Ellis – Non-Executive Director

Appointed 16 December 2013

BAppSci (Extractive Metallurgy), Grad Dip (App Fin Inv), FAusIMM, FFin and Member of SME

Mr Ellis is a metallurgist with more than 30 years' experience in the mining industry and is a Fellow of the AusIMM and the Financial Services Institute of Australasia, and a Member of the Society for Mining, Metallurgy and Exploration. He has worked on projects in Australia, Ghana, Russia, Myanmar, Mongolia, Papua New Guinea, Zambia and DRC in a variety of technical, operational, and

DIRECTORS' REPORT

management roles. Since 1999 he has worked as an independent consultant on various projects for companies including First Quantum Minerals, Ivanhoe Mines, Minara, Lihir Gold, Keegan Resources and Newcrest.

During the past three years he has also served as a Director of the following listed company:

KGL Resources Ltd.

Dr Mike Daniel – Non-Executive Director

Appointed 13 January 2014

Masters and PhD

Dr Daniel is a respected independent mineral processing consultant, specialising in comminution (crushing and grinding), with over 25 years industry experience. Following a career in project management and mineral resource management with Anglo American Corporation and De Beers (DebTech) in South Africa, Dr Daniel migrated to Australia in 2000 and completed a Masters (2002) and PhD (2007) degrees at the University of Queensland. He then established his own consulting business, CMD Consulting Pty Ltd. The firm offers specialised consulting services in the areas of ore characterisation, circuit design and eco-comminution (energy efficient processing). Dr Daniel has extensive experience in the design and application of high pressure grinding rolls (**HPGR**) technology. Dr Daniel's clients have included Anglo American, Xstrata/Glencore, Straits Resources, Vale, Ausenco, Cliffs, Vedanta, CBH Resources, Boteti Mining and CITIC-HI.

COMPANY SECRETARY

Mr Tony Veitch – Company Secretary

Appointed 2 February 2012

BCom, MBA

Mr Veitch has more than 15 years' experience in senior strategic roles, including wide ranging experience in the design and execution of corporate strategies, establishing governance frameworks, securing capital for new projects and building organisations.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the current Directors in the shares of the Company were:

Directors	Shares
Phiong Phillipus Darma	-
Bradley Ellis	-
Mike Daniel	173,196

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group during the year related to:

1. The operation of the Windimurra vanadium project (**Windimurra**) up until the appointment of Joint and Several Administrators of Midwest Vanadium Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**MVPL**) on 11 February 2015; and
2. From 12 February 2015, work to progress the Company's outstanding insurance claim and a restructure of the Company's balance sheet.

DIVIDENDS

No dividends were paid during the year and no recommendation is made for the payment of a dividend.

REVIEW AND RESULTS OF OPERATIONS

Windimurra Vanadium Project

During the financial year until 11 February 2015, Atlantic and its wholly-owned subsidiary MVPL, the 100% owner of Windimurra, were focussed on the following activities:

1. The rebuild of the beneficiation plant at Windimurra that was damaged as a result of a major fire on 4 February 2014;
2. Undertaking a technical review of all components of the Windimurra mine plan and plant, with a view to identifying and addressing any production bottlenecks in the operation;
3. Developing a revised business plan based on the findings of the Windimurra technical review; and
4. Continuing discussions with the Group's stakeholders regarding the funding required to implement the new business plan and an agreement to effect a solvent restructuring of MVPL.

Beneficiation plant rebuild

During the financial year until February 2015, Atlantic and MVPL were focussed on the timely completion of the rebuild of the beneficiation plant at Windimurra.

Early in the financial year, MVPL's demolition contractors completed the demolition of the fire damaged plant on time and on budget. In parallel with this demolition work, Atlantic's independent engineering contractor Lycopodium completed front end engineering and design work for the beneficiation plant rebuild.

Following completion of this work in the first quarter of the financial year, Atlantic immediately tendered the design and construct contract for the rebuild. The tender and review process was expedited and resulted in the award of the Engineering, Procurement and Construction contract to Primero Group (**Primero**) in early October 2014.

Following award, Primero undertook detailed structural and mechanical design work for the rebuild project. Alongside this design work, Primero began foundation work at Windimurra, progressed fabrication of steel and plate work off-site and Atlantic completed procurement of long lead items such as magnetic separators, cyclones and screens required for the rebuild project.

DIRECTORS' REPORT

Steel and plate work fabricated off-site and the long lead time items were delivered to Windimurra in line with the construction schedule in early 2015 and Primero then commenced construction of the structural components of the beneficiation plant.

This work was ongoing at the date of the appointment of administrators to Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**AVHPL**) and MVPL on 11 February 2015.

Business review

In conjunction with the beneficiation plant rebuild, Atlantic also established a project team comprising staff from the Company's engineering and technical teams plus external engineering advisors to complete a technical review of all components of the Windimurra mine plan and plant, with a view to identifying and addressing any production bottlenecks in the operation.

These reviews were completed early in the financial year. The reviews identified certain bottlenecks in the operation and proposed solutions to facilitate the Windimurra plant meeting production levels that would provide a long-term sustainable basis for the business.

The primary production bottleneck identified in the reviews related to the inability of the plant to reliably produce sufficient magnetite concentrate feed to match the capacity of the downstream refinery. 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 mill (**SAG mill**).

In addition, the reviews identified a number of less significant debottlenecking projects which the Company intended to complete concurrently with installation of the SAG mill.

The capital cost estimated to implement the SAG mill solution and other debottlenecking projects was estimated in mid-2014 to be approximately A$130.000 million (including contingency). This excluded the cost of the beneficiation plant rebuild covered by the material damage component of the Group's insurance claim.

To fund this proposed capital expenditure and working capital required to implement the proposed process improvements identified as part of the business review, MVPL required additional funding.

Early in the financial year, Atlantic presented the new business plan to MVPL's stakeholders and this formed an integral part of the funding and restructuring discussions involving those stakeholders.

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 AVHPL and MVPL on 11 February 2015.

DIRECTORS' REPORT

Group restructuring and funding discussions

Atlantic's subsidiaries AVHPL and MVPL entered into forbearance arrangements with an ad hoc group of MVPL's Senior Secured Notes (**Notes Group**) in March 2014.

Under the forbearance arrangements, the Notes Group agreed to forbear certain defaults by MVPL under the Indenture dated 16 February 2011 (as amended) that governed MVPL's Senior Secured Notes. In addition, the Notes Group agreed with 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 MVPL.

The original forbearance arrangements were in place until 15 August 2014, however during the financial year, the Notes Group and MVPL agreed to extend the arrangements, firstly from 15 August 2014 until 14 November 2014, and then from 14 November 2014 until 15 January 2015.

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

During the period up until 11 February 2015, Atlantic and MVPL engaged in detailed discussions with the Notes Group and its advisors and Atlantic's largest shareholder Droxford regarding the additional funding required to implement MVPL's proposed new business plan as well as an appropriate longer term capital structure for the business.

On 11 February 2015, Atlantic was informed by the financial advisers to the Notes Group that discussions between the Notes Group and Droxford regarding a consensual restructure of MVPL had been terminated. Atlantic was advised that the parties had not been able to reach a mutually acceptable agreement and as a result terminated the discussions.

As a result, on 11 February 2015, the Director of AVHPL and MVPL appointed Darren Weaver, Martin Jones and Ben Johnson of Ferrier Hodgson as Joint and Several Administrators of AVHPL and MVPL given there was no reasonable prospect of a consensual restructuring being agreed.

Following the appointment of Joint and Several Administrators of AVHPL and MVPL, the Notes Group appointed Norman Oehme, Keith Crawford and Matthew Caddy of McGrathNicol as Receivers and Managers of AVHPL and MVPL.

Contractors working on the rebuild of the beneficiation plant at Windimurra were demobilised shortly thereafter.

Exploration

The Group undertook no material exploration activities at Windimurra during the year.

DIRECTORS' REPORT

Research and Development Tax Incentive Scheme

In early January 2015, MVPL received a $16.032 million Research and Development Tax Incentive refund for the financial year ended 30 June 2014.

Safety

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

Atlantic Review

Following the appointment of administrators to AVHPL and MVPL on 11 February 2015, Atlantic focussed on work to progress the Company's insurance claim and a restructure of the Company's balance sheet.

Insurance

During the financial year, 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 were for the account of MVPL. Business interruption proceeds relate to the ongoing operating expenses of both Atlantic and MVPL during the period of the beneficiation plant rebuild and were for the account of Atlantic and MVPL.

Up until 11 February 2015, the Group had received a total of $87.300 million in insurance proceeds relating to the fire in the beneficiation plant, allocated to both material damage and business interruption.

Following the appointment of administrators to AVHPL and MVPL, Atlantic continued to progress its business interruption insurance claim, in conjunction with the Receivers and Managers of MVPL. As at the date of this report, no further insurance proceeds have been received by Atlantic, however Atlantic believes that further material amounts are due and payable to it under the policy.

Atlantic restructuring discussions

In May 2015, Atlantic entered into a formal forbearance agreement with its largest shareholder and creditor Droxford. Under the terms of the forbearance agreement, Droxford agreed that it would forbear and not take any action to accelerate any of its Convertible Bond or Promissory Note debts due on 6 March 2015 until 6 October 2015, subject to certain conditions including there being 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 repaid a $2.500 million Promissory Note plus accrued interest of $0.720 million to a third party as part of the forbearance.

DIRECTORS' REPORT

The Droxford forbearance arrangements were extended on 6 October 2015 to 6 April 2016.

During the forbearance periods, Atlantic continued to work with Droxford to agree and implement a solvent restructuring of the Company.

Deconsolidation of AVHPL and MVPL

As a result of the administration of AVHPL and MVPL, Atlantic deconsolidated these entities for reporting purposes from 12 February 2015.

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. Atlantic believes that it is appropriate for the suspension in the trading of the Company's securities to remain in place given that the Company is now in discussions regarding a restructuring of Atlantic's balance sheet.

The suspension of trading remains in place as at the date of this report.

Personnel

Following the appointment of administrators to AVHPL and MVPL, Atlantic downsized its staffing levels to reflect the ongoing operational requirements of the Company. As at the date of this report, Atlantic has five full time staff.

On 29 June 2015, Mr Daniel Harris resigned as Chief Executive Officer of Atlantic with immediate effect. Mr Harris had been the Chief Operating Officer of Atlantic since October 2012 and then Chief Executive Officer from 12 March 2014.

FINANCIAL RESULTS

The total comprehensive profit for the year was $391.939 million compared to a comprehensive loss of $637.098 million for the prior year. The results for the financial year were impacted by a one-off gain on deconsolidation of AVHPL and MVPL of $559.989 million. The gain resulted from the administration and receivership of AVHPL and MVPL on 11 February 2015.

LIKELY DEVELOPMENTS

The likely developments of the Consolidated Entity and the expected results of those developments in the coming financial year are expected to be as follows:

1. Continuation of the above-mentioned restructuring discussions between the Company and Droxford;
2. Development of a new strategic business plan for Atlantic;
3. Finalisation of Atlantic's outstanding insurance claim; and
4. Implementation of a finalised restructuring and roll-out of the new agreed strategic business plan for Atlantic.

DIRECTORS' REPORT

BUSINESS RISKS

The Group operates in a dynamic and changing environment and is therefore subject to business risks that will affect the future financial performance and prospects of the Group. The following factors and risks could have a material effect on the Group's future operational and financial results.

Restructuring

There is a risk that the ongoing restructuring discussions with Droxford will not result in a suitable restructuring being agreed. In that case, it is likely that Atlantic will require additional funding and/or will be required to renegotiate its existing funding arrangements. Should the Group not be able to raise further funding or renegotiate its existing funding arrangements if required, there would be a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern. Refer to note 2B for additional disclosure regarding going concern.

For further information on the restructure discussions subsequent to year end, refer to Events Subsequent to Balance Date that forms part of the Directors' Report.

No Operating Asset

The Group does not have an operating asset as at the date of this report. To meet ongoing ASX listing rule requirements and to ensure a sustainable future for the business, the Company will need to acquire an operating asset, subject to regulatory requirements. If it does not acquire an operating asset, there would be a significant uncertainty as to whether the Group can continue as a going concern. Refer to note 2B for additional disclosure regarding going concern.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Up until 11 February 2015, the Group held licenses and abided by Acts and Regulations issued by the relevant mining and environmental protection authorities of Australia in respect of the Windimurra project. These licenses, Acts and Regulations specified limits and regulated the management of discharges to the air, surface water and groundwater associated with its mining operations as well as the storage and use of hazardous materials.

Up until 11 February 2015, the Group was also registered under the *National Greenhouse and Energy Reporting Act*, under which it was required to report energy consumption and greenhouse gas emissions for the Windimurra project. The Group had data collection systems and processes in place to meet these requirements up until the relevant date.

In addition, the Group's Windimurra project was required to comply with the Australian Federal Government's *Carbon Pollution Reduction Scheme* up until its repeal in July 2014.

MVPL voluntarily opted to join and was granted permission to participate in the Department of Mines and Petroleum's Mining Rehabilitation Fund in 2013.

DIRECTORS' REPORT

There were no significant breaches of the Group's license conditions or of the relevant Acts and Regulations during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report.

EVENTS SUBSEQUENT TO BALANCE DATE

In September 2015, Atlantic announced that it had reached agreement with Droxford for an extension to the existing forbearance agreement that was due to expire on 6 October 2015 until 6 April 2016.

Under the terms of the forbearance extension, Droxford agreed that it would forbear and not take any action to accelerate any of its Convertible Bond or Promissory Note debts until 6 April 2016, subject to certain conditions. These conditions include there being no further defaults by Atlantic under its finance documents and Atlantic's executives being made available at no cost to Droxford's other mining investments.

In October 2015, Mr Gary Lewis resigned as Non-Executive Chairman and a Director of the Company. He had been on the Board since March 2014.

Atlantic is continuing discussions with Droxford regarding a solvent restructuring of Atlantic's balance sheet. Further information on the proposed restructuring, that is expected to require shareholder approval, will be disclosed as soon as details are finalised.

In February 2016, Atlantic announced a proposal to re-acquire the Windimurra vanadium project with the support of its major shareholder and creditor Droxford.

The proposal involves a wholly-owned subsidiary of Atlantic acquiring the assets of the Windimurra vanadium project. The Receivers of AVHPL and MVPL will retain certain excluded assets for the benefit of secured creditors excluding Droxford. These excluded assets include MVPL's existing cash, future insurance claim proceeds due to MVPL, a proportion of MVPL's income tax refunds and finished vanadium inventory. The assets purchased will be free from any encumbrances and security.

The proposal will be implemented by way of a deed of company arrangement relating to AVHPL and MVPL and an asset sale deed. The proposal is subject to a number of conditions precedent including FIRB approval, consents required to transfer the mine properties and related approvals, AVHPL and MVPL creditor approval and the senior secured bond holders consenting to the release of their security save as to the excluded assets. The AVHPL and MVPL creditor approval was granted on 12 February 2016.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director is set out below.

	Directors' meetings	
Number of meetings held:	**Eligible to attend**	**Attended**
Gary Lewis	8	7
Phiong Phillipus Darma	8	6
Bradley Ellis	8	8
Mike Daniel	8	7

AUDITED REMUNERATION REPORT

The following information has been audited.

This report outlines the remuneration arrangements in place for the Key Management Personnel (**KMP**) of Atlantic for the financial year ended 30 June 2015. The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The Remuneration Report details the remuneration arrangements of KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

Key Management Personnel

(i) Directors

Gary Lewis (Non-Executive Chairman), resigned 19 October 2015

Phiong Phillipus Darma (Non-Executive Director)

Bradley Ellis (Non-Executive Director)

Mike Daniel (Non-Executive Director)

(ii) Executives

Daniel Harris (Chief Executive Officer), departed 11 February 2015

Tony Veitch (Chief Commercial Officer)

Terry Bourke (General Counsel)

Scott Nicholas (Chief Financial Officer), appointed 20 September 2014

John Gardener (General Manager Sales & Marketing), resigned 2 April 2015

Terry Perles (President North America), resigned 11 June 2015

DIRECTORS' REPORT

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue, other than noted above.

Remuneration Philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to set competitive fixed annual remuneration packages to attract and retain high calibre employees.

Board

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director, the Chief Executive Officer and the executive team.

The Board assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Report Approval at 2014 AGM

The Remuneration Report for the 2013/2014 financial year has not yet been approved at a meeting of shareholders. This report is expected to be tabled with shareholders for approval at the 2014 Annual General Meeting to be held at the same time as the 2015 Annual General Meeting.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive remuneration is separate and distinct from other remuneration plans.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by General Meeting. The maximum aggregate amount of Directors' fees that may be paid to Non-Executive Directors of the Company is set at $0.500 million, as approved by shareholders on 25 November 2011. The maximum aggregate amount of Directors' fees may be divided among those Directors in the manner determined by the Board.

Each Non-Executive Director receives a fee for being a Director of the Company. An additional fee is also paid for each Board committee on which a Non-Executive Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Non-Executive Directors who serve on one or more sub-committees.

DIRECTORS' REPORT

The remuneration of Non-Executive Directors for the year ended 30 June 2015 is detailed in Table 1 of this report.

Senior Executive Remuneration

Remuneration consists of fixed annual remuneration.

Fixed annual remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The process has taken into consideration the executive's broader role across Droxford's mining investments as part of the forbearance extension. The Board has access to external, independent advice where necessary. No external remuneration consultants have been engaged during the current year.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of the Group's KMP and Directors is detailed in Table 1.

Variable remuneration – Atlantic Share Incentive Plan

Atlantic previously operated a Share Incentive Plan (**Incentive Plan**) to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The aim of the Incentive Plan was to ensure that the total potential long-term incentive available was set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets such that the cost to the Group is reasonable in the circumstances.

The aggregate of shares available for executives across the Group was subject to the approval of the Remuneration Committee and could not exceed 5% of the total number of shares on issue, except in certain permitted circumstances detailed in the key terms of the Incentive Plan.

The Incentive Plan was discontinued during the financial year given the financial circumstances of the Company, however certain KMP retain shares in the Incentive Plan as at the date of this report as set out below.

Incentive Plan

Vesting conditions of shares issued to senior executives

(a) 1,000,000 shares at $1.750 per share to Tony Veitch on 5 July 2010.

The shares are not tradeable until the Company's shares have traded above $1.875 for more than 10 consecutive trading days. As at 30 June 2015, all shares are not currently tradeable, but had vested to Tony Veitch.

DIRECTORS' REPORT

(b) 400,000 shares at $0.500 per share were issued to Daniel Harris on 5 March 2013. One third of these shares vest each year for three years. The vesting conditions are service-based only, as the objective of the Incentive Plan is to retain and reward employees of the Company. The right to those shares were forfeited by Mr Harris on his departure from the Company on 11 February 2015.

DIRECTORS' REPORT

Table 1 Remuneration for the Year Ended 30 June 2015

	Short-term benefits			Post employment			Share-based payment		
	Salary & fees $	Consulting fees $	Other short-term employee benefits $	Non-monetary benefits $	Super-annuation $	Termination payments $	Share Incentive Plan $	Total $	Performance related %
Non-Executive Directors									
Gary Lewis	120,000	-	-	-	-	-	-	120,000	-
Phiong Phillipus Darma	86,758	-	-	-	8,242	-	-	95,000	-
Bradley Ellis	86,758	-	-	-	8,242	-	-	95,000	-
Mike Daniel	86,758	-	-	-	8,242	-	-	95,000	-
Total Non-Executive Directors	380,274	-	-	-	24,726	-	-	405,000	-
Other Key Management Personnel									
Tony Veitch	506,217	-	-	-	18,783	-	-	525,000	-
Daniel Harris (i) (departed11/02/2015)	400,000	-	41,600	-	-	-	6,501	448,101	-
Terry Bourke	331,217	-	-	-	18,783	-	-	350,000	-
Scott Nicholas (appointed 20/09/2014)	233,550	-	-	-	13,732	-	-	247,282	-
John Gardener (resigned 02/04/2015)	194,133	-	-	-	14,228	61,965	(24,925)	245,401	-
Terry Perles (resigned 11/06/2015)	108,500	-	-	-	-	81,085	3,250	192,835	-
Total Executive Key Management Personnel	1,773,617	-	41,600	-	65,526	143,050	(15,174)	2,008,619	-
Totals	2,153,891	-	41,600	-	90,252	143,050	(15,174)	2,413,619	-

(i) Mr Harris is an MVPL employee and therefore his remuneration is included up to the date of deconsolidation being 11 February 2015. Mr Harris received other short-term employee benefits in the form of rent allowances from MVPL. Atlantic made no payments to Mr Harris post the deconsolidation of AVHPL and MVPL.

(ii) There were no short-term incentives issued to executives during the year.

Key Management Personnel Transactions

There were no transactions with Directors or KMP during the year.

DIRECTORS' REPORT

Table 2 Remuneration for the Year Ended 30 June 2014

	Short-term benefits			Post employment			Share-based payment		
	Salary & fees $	Consulting fees $	Other short-term employee benefits $	Non-monetary benefits $	Super-annuation $	Termination payments $	Share Incentive Plan $	Total $	Performance related %
Non-Executive Directors									
Gary Lewis (appointed 11/03/2014)	40,000	-	-	-	-	-	-	40,000	-
Phiong Phillipus Darma	87,156	-	-	-	8,062	-	-	95,218	-
Bradley Ellis (appointed 16/12/2013)	47,920	-	-	-	4,433	-	-	52,353	-
Mike Daniel (appointed 13/01/2014)	40,673	-	-	-	3,762	-	-	44,435	-
Total Non-Executive Directors	215,749	-	-	-	16,257	-	-	232,006	-
Executive Directors									
Michael Minosora (i) (resigned 11/03/2014)	473,771	-	-	-	13,593	447,513	-	934,877	-
Tony Veitch (resigned as Director 26/11/2013) (but remains a KMP)	507,225	-	-	-	17,775	-	-	525,000	-
Other Key Management Personnel									
Daniel Harris	585,187	-	85,874	-	14,812	-	14,447	700,320	2.06%
John Gardener	257,225	-	-	-	17,775	-	49,445	324,445	15.24%
Terry Perles	273,526	-	-	-	1,670	-	7,223	282,419	2.56%
Terry Bourke	253,944	-	40,000	-	17,775	-	-	311,719	-
Scott Nicholas (from 01/07/2013 to 13/06/2014)	279,818	-	-	-	17,005	52,006	(3,657)	345,172	-
Thanh Nguyen (resigned 10/06/2014)	-	223,492	-	-	-	-	-	223,492	-
Shane Entriken (from 05/08/2013 to 18/03/2014)	221,732	-	-	-	11,850	92,266	-	325,848	-
Mark Greenaway (from 12/08/2013 to 28/02/2014)	213,620	-	-	-	10,383	194,679	-	418,682	-
Total Executive Key Management Personnel	3,066,048	223,492	125,874	-	122,638	786,464	67,458	4,391,974	-
Totals	3,281,797	223,492	125,874	-	138,895	786,464	67,458	4,623,980	-

(i) During the year, Mr Minosora received payments totalling $157,433 relating to annual leave entitlements not disclosed in the above table. In accordance with the relevant accounting standard, this was accrued when earned in prior years.

(ii) There were no short-term incentives issued to executives during the year.

DIRECTORS' REPORT

Table 3 Rights Over Shares Awarded, Exercised, Lapsed and Vested Through the Incentive Plan During the Year Ended 30 June 2015 (Consolidated)

	Rights over shares awarded during the year No.	Grant date	Fair value per rights over shares at grant date $	Fair value of rights over shares granted during the year $	Fair value of rights over shares exercised during the year $	Fair value of rights over shares lapsed during the year $	Rights over shares vested during the year No.
Non-Executive Directors							
Gary Lewis	-	-	-	-	-	-	-
Phiong Phillipus Darma	-	-	-	-	-	-	-
Bradley Ellis	-	-	-	-	-	-	-
Mike Daniel	-	-	-	-	-	-	-
Other Key Management Personnel							
Tony Veitch	-	-	-	-	-	-	-
Daniel Harris (departed 11/02/2015)	-	-	-	-	-	3,177	133,333
Terry Bourke	-	-	-	-	-	-	-
Scott Nicholas (appointed 20/09/2014)	-	-	-	-	-	-	-
John Gardener (resigned 02/04/2015)	-	-	-	-	-	24,925	75,722
Terry Perles (resigned 11/06/2015)	-	-	-	-	-	1,588	66,666
Totals	-	-	-	-	-	29,690	275,721

Service Agreements

Remuneration and other terms of employment for the Directors and senior executives are formalised in Service Agreements. Major provisions of the agreements relating to remuneration are set out below:

Name	Fixed annual remuneration $	Contract duration	Notice period Company	Notice period employee	Termination provision
Non-Executive Directors					
Gary Lewis	120,000 per annum	No fixed term	N/A	N/A	No provision
Phiong Phillipus Darma	95,000 per annum	No fixed term	N/A	N/A	No provision
Bradley Ellis	95,000 per annum	No fixed term	N/A	N/A	No provision
Mike Daniel	95,000 per annum	No fixed term	N/A	N/A	No provision
Other Key Management Personnel					
Tony Veitch	525,000 per annum	No fixed term	6 months	6 months	Accrued leave entitlements
Daniel Harris (departed11/02/2015)	600,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Terry Bourke	350,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Scott Nicholas (appointed 20/09/2014)	350,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements

DIRECTORS' REPORT

Shareholdings of Key Management Personnel – 2015

	Balance 1 July 2014	Granted as remuneration	Net change resignation	Balance 30 June 2015
2015				
Non-Executive Directors				
Gary Lewis	-	-	-	-
Phiong Phillipus Darma	-	-	-	-
Bradley Ellis	-	-	-	-
Mike Daniel	173,196	-	-	173,196
Other Key Management Personnel				
Tony Veitch	480,000	-	-	480,000
Daniel Harris (departed11/02/2015)	-	-	-	-
Terry Bourke	-	-	-	-
Scott Nicholas (appointed 20/09/2014)	-	-	-	-
Totals	653,196	-	-	653,196

Rights Over Shares and Option Holdings of Key Management Personnel – 2015

	Rights or options type	Balance 1 July 2014	Granted as remuneration	Exercise of options	Net change resignation	Balance 30 June 2015	Vested at 30 June 2015 exercisable	Vested but not exercisable
2015								
Non-Executive Directors								
Gary Lewis	-	-	-	-	-	-	-	-
Phiong Phillipus Darma	-	-	-	-	-	-	-	-
Bradley Ellis	-	-	-	-	-	-	-	-
Mike Daniel	-	-	-	-	-	-	-	-
Other Key Management Personnel								
Tony Veitch	Rights over shares	1,000,000	-	-	-	1,000,000	-	1,000,000
Daniel Harris (departed 11/02/2015)	Rights over shares	400,000	-	-	(400,000)	-	-	-
Terry Bourke	Rights over shares	-	-	-	-	-	-	-
Scott Nicholas (appointed 20/09/2014)	Rights over shares	-	-	-	-	-	-	-
Totals		1,400,000	-	-	(400,000)	1,000,000	-	1,000,000

This is the end of the audited Remuneration Report.

DIRECTORS' REPORT

SHARES UNDER OPTION

As at the date of this report, the Company has no options over ordinary shares on issue. No ordinary shares were issued as a result of the exercise of options during the year ended 30 June 2015.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group incurred premiums to insure the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officers of the Group, other than conduct involving a wilful breach of duty. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Research and Development Tax Incentive Program advice	451,000
Advice and assistance on taxation matters	142,381
Total	593,381

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.

DIRECTORS' REPORT

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 23.

Signed in accordance with a resolution of the Board of Atlantic Ltd.

MR BRAD ELLIS
Non-Executive Director

Dated this 16th day of February 2016

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the Directors of Atlantic Ltd

As lead auditor for the audit of Atlantic Ltd for the financial year ended 30 June 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Atlantic Ltd and the entities it controlled during the financial year.

Ernst & Young

Gavin Buckingham
Partner
16 February 2016

A member firm of Ernst & Young Global Limited
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GB:EH:ATL:059

CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognises that high standards of corporate governance are essential to achieving the above objectives. The Company continues to review its corporate governance practices as the business evolves.

This statement summarises the corporate governance policies and practices adopted by the Company and its controlled entities (collectively **the Group**) during the financial year.

Consistent with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**CGC Recommendations**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices given the stage of development of the Company. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

ROLE OF THE BOARD

The Board is responsible to shareholders and its other stakeholders such as creditors for developing and operating a successful business and maximising shareholder value.

The Board operates within the principles set out in the Board Charter, a copy of which is available on the Atlantic website (www.atlanticltd.com.au).

The Board is responsible for evaluating and setting the strategic direction for the Group, in consultation with its key creditors including Droxford and, prior to the Company losing control of AVHPL and MVPL, the senior secured bond holders of MVPL. The Board is also responsible for establishing goals for management and monitoring the achievement of those goals. The Chief Executive Officer or senior executives are responsible to the Board for the day-to-day management of the Group's operations and implementation of the Company's strategic direction.

The Board has sole responsibility for the following:

- Developing, reviewing and monitoring the Company's long-term business strategies;
- Providing strategic direction to management;
- Approving and monitoring budgets, major capital commitments, capital management, acquisitions and divestments;
- Ensuring that the Company has systems in place for risk management, internal compliance and control, codes of conduct and compliance with legislative requirements and ethical standards;
- Reviewing and approving the Company's financial statements and other reporting obligations;
- Appointing and removing a Managing Director, an Executive Director or Chief Executive Officer and approving their remuneration;
- Appointing and removing the Chief Financial Officer and Company Secretary and approving their remuneration;

CORPORATE GOVERNANCE STATEMENT

- Establishing and maintaining corporate governance standards;
- Establishing a culture within the Company which strives for and rewards best practice in all areas of the business;
- Monitoring Board performance and whether the Board is appropriately skilled to meet the changing needs of the Company;
- Measuring performance of management against approved strategies;
- Reviewing and monitoring the adequacy of resources for management to properly carry out approved strategies and business plans;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its Officers act legally, ethically and responsibly on all matters.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship, the Board has from time to time established specialist committees where necessary and or appropriate. These specialist committees are able to focus on a particular area of responsibility and provide informed feedback to the Board.

During the year, the Board did not operate any committees.

MANAGEMENT FUNCTIONS

The Company has established the functions that are reserved for management. Management is responsible, on a shared-basis with and subject to the approval of the Board, for developing corporate and operational strategy for the Group, and is directly responsible for implementing the Company's strategy. Management is also responsible for:

- Safeguarding the Company's assets;
- Managing the executive team responsible for the Group's operations;
- Assessing business opportunities which are of potential benefit to the Company;
- Overseeing shareholder communications;
- Reporting relevant matters to the Board; and
- Maximising the utilisation of available resources.

DIVERSITY

The Company is an equal opportunity employer and believes in treating all people with respect and dignity. These core principles of equality, diversity and recruitment and promotion on the basis of merit are at the heart of everything that Atlantic does.

Atlantic believes that people are the key to its success and that a talented and diverse workforce is a key competitive advantage. Training and development is focussed on developing employee's strengths.

CORPORATE GOVERNANCE STATEMENT

The Company values the contribution that people from a diverse range of backgrounds, cultures and communities can make. Our equal opportunity employment strategy supports the contribution from people with differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education.

The Group has flexible working arrangements, both generally and with specific employees, that are designed to encourage women to either remain in, or return to, the workforce and to allow all employees to accommodate work and family arrangements.

The Company has adopted a Diversity Policy as an extension of the Company's Equal Opportunity Employment Policy. This policy provides for the Board to determine measurable objectives for achieving gender diversity (as well as wider diversity objectives) and to assess annually both the objectives and the entity's progress in achieving them.

As at 30 June 2015, the proportion of women employed across the Group, as a whole, at manager/supervisor level, at senior management level and at Board level were:

	Number of employees	Number of women	Percentage
Employees	4	1	25%
Managers/supervisors	3	-	0%
Senior executives	3	-	0%
Board (including subsidiaries)	4	-	0%

The Board has set an ongoing gender diversity target of 20% for the Group's employees as a whole and 20% for senior executive level and above. Senior executives are defined here as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company.

Not all of these targets have been achieved due to the significant reduction in employee numbers during the financial year, however the Group continues to consider women for all available positions across the organisation where practical to do so.

COMPOSITION OF BOARD AND DIRECTOR INDEPENDENCE

As at the date of this report, the Board comprises of three Non-Executive Directors. One Non-Executive Director (Phiong Phillipus Darma) is considered not to be independent due to his role with Droxford, a substantial shareholder and major creditor of the Company.

As at the date of this report the Board has two independent Directors. The Company continues to monitor the composition of the Board.

The Board appointed Gary Lewis as a non-independent Chairman on 11 March 2014. This was considered appropriate at that time given the Company's indebtedness to Droxford. Mr Lewis resigned as a Director on 19 October 2015. As disclosed in the

CORPORATE GOVERNANCE STATEMENT

Directors' Report, Atlantic is in discussions with Droxford to agree and implement a solvent restructuring of the Company. The Board continues to monitor for any conflicts of interest and will consider the optimal long-term composition of the Board once the restructuring discussions with Droxford are concluded. At that point, it will seek to appoint an independent Chairman if appropriate.

Director	Independent	Non-Executive	Appointment date
Gary Lewis	No	Yes	11 March 2014
Phiong Phillipus Darma	No	Yes	18 November 2010
Bradley Ellis	Yes	Yes	16 December 2013
Mike Daniel	Yes	Yes	13 January 2014

The skills, experience and expertise of each Director of the Company during the year are included in the Directors' Report.

Atlantic's Constitution requires Directors (other than the Managing Director) to retire from office at the third Annual General Meeting of the Company after their election or re-election, provided that at least one Director (being the Director who has held office the longest since last being elected or re-elected) must retire from office at each Annual General Meeting. A retiring Director may stand for re-election at the Annual General Meeting.

EVALUATION OF THE BOARD AND SENIOR MANAGEMENT

All Directors and employees of the Group have a written agreement with the Company setting out their respective terms of their appointment.

The Board has adopted a self-evaluation process to measure its own performance. In addition, the Board currently reviews the performance of all senior executives and employees on an ongoing basis. No formal annual reviews of Directors, senior executives or employees took place during the period given the uncertainty created by the ongoing discussions with Droxford regarding a restructuring of the Company.

BOARD COMMITTEES

Audit Committee

The Board had in the past established an Audit Committee which operated under a charter approved by the Board. During the financial year the Audit Committee did not function as the Board assumed all of the Committee's responsibilities given the current circumstances of the Company. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. During the year, the Board did not delegate responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

A copy of the Audit Committee Charter is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis.

Remuneration and Nomination Committee

The Board had in the past established a Remuneration and Nomination Committee. The role of the Remuneration and Nomination Committee was to assist the Board in establishing policies and practices which:

- Enables the Company to attract and retain capable Directors and employees who achieve operational excellence and create value for shareholders;
- Reward employees fairly and responsibly, taking into consideration the results of the Company, individual performance and industry remuneration conditions;
- Assist the Board to meet its oversight responsibilities in relation to corporate governance practices; and
- Prohibits executives from entering into transactions or arrangements which limit the economic risk of participating in unvested Company share entitlements.

A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.

During the financial year the Remuneration and Nomination Committee did not function as the Board assumed all of the Committee's responsibilities given the current circumstances of the Company.

During the period, the Board monitored the circumstances of the Company closely in the context of the ongoing restructuring discussions. Proposals were considered for the appointment of new Directors as part of those restructuring discussions to ensure that the Board had the appropriate balance of skills, knowledge, experience, independence and diversity to enable the Board to discharge its duties and responsibilities and provide for the successful execution of the Company's business plan.

Non-Executive Directors are remunerated at a fixed fee for their time, commitment and responsibilities. Remuneration for Non-Executive Directors is not directly linked to individual performance and therefore the Board considers that Non-Executive Directors should not be entitled to participate in the Company's Incentive Plan or other equity-based remuneration schemes. There are no termination or retirement benefits for Non-Executive Directors (other than for statutory superannuation).

The Board has prepared the skills matrix below to assess whether the Board has the requisite skills to enable it to successfully conclude the current restructuring discussions and execute the Company's business plan, to identify skill gaps requiring management or external advice and to guide succession planning. This matrix is set out below.

CORPORATE GOVERNANCE STATEMENT

Director	Commercial	Financial	Mining	Engineering	Legal
Phiong Phillipus Darma	√	√	√		
Bradley Ellis	√		√	√	
Mike Daniel	√		√	√	

Pay and rewards for senior executives consist of a base salary. Fixed annual remuneration for executives is based on competitive market rates and reviewed annually.

Long-term performance incentives can include participation in the Company's Incentive Plan at the discretion of the Board, however the Incentive Plan was discontinued during the financial year given the financial circumstances of the Company.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

All Directors have the right of access to all relevant Company information, to the Company's executives and, subject to prior consultation, may seek independent professional advice concerning any aspect of the Company's operations or undertakings at the Company's expense.

CODE OF CONDUCT

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance and ethical conduct by all Directors and employees of the Company.

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a Code of Conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the Code of Conduct for Directors are:

- A Director must act honestly, in good faith and in the best interests of the Company as a whole;
- A Director has a duty to use due care and diligence in fulfilling the functions of the office and exercising the powers attached to that office;
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company;
- A Director must not make improper use of information acquired as a Director;
- A Director must not take improper advantage of the position of Director;
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- A Director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board;

CORPORATE GOVERNANCE STATEMENT

- Confidential information received by a Director in the course of the exercise of Directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law;
- A Director should not engage in conduct likely to bring discredit upon the Company; and
- A Director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code of Conduct.

These principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Conduct, as outlined below.

The Company's Code of Conduct, which is available on the Atlantic website, provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company. All Directors and employees are expected to:

- Uphold high moral and ethical standards in conducting the Company's business;
- Comply with all relevant laws and regulations;
- Avoid real or perceived conflicts of interest;
- Respect confidentiality and not misuse Company information, assets or facilities;
- Value and maintain professionalism when dealing with others both internally and externally;
- Act in the best interests of shareholders;
- By their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- Perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- Exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- Act with honesty, integrity, decency and responsibility at all times.

CONFLICTS OF INTEREST

In accordance with the *Corporations Act 2001* and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

DEALINGS IN COMPANY SECURITIES

The Company's Securities Dealing Policy imposes trading restrictions on all Directors, employees, contractors, consultants and advisors of the Company who are in possession of unpublished price-sensitive information in relation to the securities of the Company. This Policy also restricts Directors and senior executives from trading during defined blackout periods.

CORPORATE GOVERNANCE STATEMENT

If an employee possesses inside information, the person must not:

- Trade in the Company's securities;
- Advise others or procure others to trade in the Company's securities; or
- Pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information. Directors and senior executives of Atlantic are required to notify the Company Secretary before dealing in the Company's securities.

In addition to the above, Directors and senior executives must notify the Company Secretary as soon as practicable, but not later than three business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the *Corporations Act 2001* and the ASX Listing Rules, the Company must notify ASX within five business days of any transactions conducted by Directors in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

A copy of the Securities Dealing Policy is available on the Company's website.

CONTINUOUS DISCLOSURE

The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*.

The Board has implemented a Continuous Disclosure Policy to ensure that information considered material by the Company is immediately reported to the ASX. Other information such as Company presentations are also disclosed to the ASX and are on the Company's website.

The Company also has a Market Communications Policy regulating the manner in which information is released to the market. The Company's website provides access to all current and historical information, including ASX announcements, financial reports and other releases.

SHAREHOLDER COMMUNICATION

In adopting a Continuous Disclosure Policy, the Board ensures that shareholders are provided with up-to-date information.

Communication to shareholders is facilitated by the production of the Annual Report, quarterly and half yearly reports, public announcements and the posting of all ASX announcements and other information on the Company's website.

CORPORATE GOVERNANCE STATEMENT

RISK MANAGEMENT

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company, with management having ultimate responsibility to the Board for the risk management and control framework.

Given the Company does not have an operating business at this time, it does not have any material exposure to economic, environmental or social sustainability risks at this time. This may change in future if the Company can successfully agree a restructuring of its debt obligations and acquire a new operating business. Areas of significant business risk to the Company, such as the ability to successfully restructure the Company's debt obligations, are highlighted in the budget and plans presented to the Board by management.

Arrangements put in place by the Board to monitor risk management include regular reporting to the Board in respect of operations and the financial position of the Group.

In addition, during the year, the Board reviewed the Company's risk management framework and took advice from its external auditor as part of its approval of the annual accounts for the years ended 30 June 2014 and 30 June 2015.

The Chief Financial Officer has provided a declaration to the Board in accordance with Section 295A of the *Corporations Act 2001* and has assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

A summary of the Company's Risk Management Policy is available on the Company's website.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

The table below contains a list of each of the ASX Corporate Governance Council Recommendations and whether the Company was in compliance with the recommendations throughout the year ended 30 June 2015. Where the Company considers that it does not meet these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out in this Statement.

	Principle/Recommendation	Commentary
1	**Lay solid foundations for management and oversight**	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Atlantic complied with this recommendation in full for the whole of the period. Information about the respective roles and responsibilities of our Board and management (including those matters expressly reserved for the Board and those delegated to

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
		management) is set out on pages 24 and 25 of our Annual Report.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Atlantic did not comply with this recommendation in full for the whole of the period. No person was appointed to the Board or senior management team during the period. Notwithstanding that, Atlantic did appoint Non-Executive Directors in the prior year and it has yet to hold its Annual General Meeting for the year ended 30 June 2014. As such, security holders have not had the opportunity to re-elect Directors appointed since the last Annual General Meeting. This was due to the uncertain financial situation of the Company delaying the release of the 2014 Annual Report. Security holders will be entitled to re-elect Directors at the 2014 Annual General Meeting to be held in the near future.
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Atlantic complied with this recommendation in full for the whole of the period.
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Atlantic complied with this recommendation in full for the whole of the period.
1.5	A listed entity should: (a) have a Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the Board, in senior executive positions and	Atlantic complied with this recommendation in full for the whole of the period. Atlantic has a Diversity Policy that complies with paragraph (a) and a copy of our diversity policy is available at www.atlanticltd.com.au. The measurable objectives for achieving gender diversity set by the Board in accordance with our Diversity Policy, our progress towards achieving them and the information referred to in paragraph (c)(1) are set out on pages 25 and 26 of our Annual Report.

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
	across the whole organisation (including how the entity has defined “senior executive” for these purposes); or (2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.	
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Atlantic did not comply with this recommendation in full for the whole of the period. Atlantic did not have a formal process for evaluating the performance of the Board during the period. No formal reviews of the Board took place during the period given the uncertainty created by the ongoing discussions regarding a restructuring of the Company.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Atlantic did not comply with this recommendation in full for the whole of the period. Atlantic did not have a formal process for evaluating the performance of senior executives during the period. No formal reviews of senior executives took place during the period given the uncertainty created by the ongoing discussions regarding a restructuring of the Company.
2	**Structure the Board to add value**	
2.1	The Board of a listed entity should: (a) have a Nomination Committee which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR	Atlantic did not comply with this recommendation in full for the whole of the period. The Company has established a charter for a Nomination Committee, and a copy of the charter is available at www.atlanticltd.com.au. The Company does not currently have a Nomination Committee. Due to the current level of operations of the Company, the Board considered all matters set aside for the Nomination Committee under its charter during the period. In particular, during the period, the Board considered matters of Board succession to ensure that the Board has the appropriate balance of skills, knowledge, experience,

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
	(b) if it does not have a Nomination Committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	independence and diversity to enable it to discharge its duties and responsibilities effectively, to negotiate and implement a restructuring and execute the Company's strategies.
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Atlantic complied with this recommendation in full for the whole of the period. Atlantic's Board skills matrix is set on page 29 of our Annual Report.
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director.	Atlantic complied with this recommendation in full for the whole of the period. Information about the independence of each Director, the nature of the relationships that deem those Directors not to be independent and the length of service of each Director are set out on pages 26 and 27 of our Annual Report.
2.4	A majority of the Board of a listed entity should be independent Directors.	Atlantic did not comply with this recommendation in full for the whole of the period. As is appropriate given the circumstances of the Company, the Company's major shareholder and creditor Droxford retained representation on the Board and this meant this recommendation was not met.
2.5	The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	Atlantic did not comply with this recommendation in full for the whole of the period given the Non-Executive Chairman of the Company was not independent due to his role with Droxford. This was considered appropriate given the Company's substantial indebtedness to Droxford.

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Atlantic did not comply with this recommendation in full for the whole of the period given the current level of operations of the Company.
3	**Act ethically and responsibly**	
3.1	A listed entity should: (a) have a Code of Conduct for its Directors, senior executives and employees; and (a) disclose that code or a summary of it.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's Code of Conduct is provided on pages 29 and 30 of our Annual Report and a copy of the code is available at www.atlanticltd.com.au.
4	**Safeguard integrity in corporate reporting**	
4.1	The Board of a listed entity should: (a) have an Audit Committee which: (1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors; and (2) is chaired by an independent Director, who is not the chair of the Board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR (b) if it does not have an Audit Committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Atlantic did not comply with this recommendation in full for the whole of the period. The Company has established a charter for an Audit Committee, and a copy of the charter is available at www.atlanticltd.com.au. The Company does not currently have an Audit Committee. Due to the uncertainty created by the ongoing discussions regarding a restructuring of the Company and the current level of operations of the Company, the Board considered all matters set aside for the Audit Committee under its charter during the period. In particular, during the period, the Board considered all management and financial reports provided to the Board at regular meetings during the year. The Board was also provided with access to the Group's external auditor separate from management to enable the Board to independently verify the integrity of the Company's corporate reporting. In addition, the Board considered the independence of and processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner at meetings during the period.

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Atlantic complied with this recommendation in full for the whole of the period.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Atlantic did not comply with this recommendation in full for the whole of the period. Atlantic has yet to hold its Annual General Meeting for 2014 and as such the external auditor did not attend the meeting. The external auditor will attend the 2014 Annual General Meeting to be held in the near future.
5	**Make timely and balanced disclosure**	
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's Continuous Disclosure Policy is provided on page 31 of our Annual Report and a copy of the policy is available at www.atlanticltd.com.au.
6	**Respect the rights of security holders**	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's Board, management, business, market disclosures, financial reports and its respective corporate governance policies are all available at www.atlanticltd.com.au.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's shareholder communication policy is provided on page 31 of our Annual Report and a copy of its Market Communications Policy is available at www.atlanticltd.com.au.

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's shareholder communication policy is provided on page 31 of our Annual Report and a copy of its Market Communications Policy is available at www.atlanticltd.com.au.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's share registrar's electronic contact details for all shareholders are set out page 3 of our Annual Report and on the Company's website.
7	**Recognise and manage risk**	
7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Atlantic did not comply with this recommendation in full for the whole of the period. The Company does not currently have a separate risk committee and such matters are considered by the Board given the Company does not currently have any operating business. The processes employed by the Board to oversee the Company's risk management framework are set out on page 32 of our Annual Report. A copy of the Company's Risk Management Policy is available at www.atlanticltd.com.au.
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Atlantic complied with this recommendation in full for the whole of the period. During the period, the Board reviewed the Company's risk management framework as part of its approval of the annual accounts for the years ended 30 June 2014 and 30 June 2015.

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; OR (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Atlantic did not comply with this recommendation in full for the whole of the period. The Company's operations are not sufficiently complex to justify a separate internal audit function. Evaluating and continually improving the effectiveness of the Company's risk management and internal control processes are reserved for the Board, management and the external auditor.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's exposure to economic, environmental and social sustainability risks is set out on page 32 of our Annual Report.
8	**Remunerate fairly and responsibly**	
8.1	The Board of a listed entity should: (a) have a Remuneration Committee which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR (b) if it does not have a Remuneration Committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Atlantic did not comply with this recommendation in full for the whole of the period. The Company has established a charter for a Remuneration Committee, and a copy of the charter is available at www.atlanticltd.com.au. The Company does not currently have a Remuneration Committee. Due to the current level of operations of the Company, the Board considered all matters set aside for the Remuneration Committee under its charter during the period. In particular, during the period, the Board considered the remuneration of Directors and senior executives in the context of the current level of operations of the Company, the ongoing restructuring discussions and the future strategies and plans of the Company, in particular with the input of the Company's key stakeholders.

CORPORATE GOVERNANCE STATEMENT

	Principle/Recommendation	Commentary
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.	Atlantic complied with this recommendation in full for the whole of the period. A summary of the Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives is set out on pages 28 and 29 of our Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Atlantic complied with this recommendation in full for the whole of the period. The Atlantic Incentive Plan was discontinued during the year, however the Board's practice until the discontinuation of the Incentive Plan was to prohibit executives from entering into transactions or arrangements which limit the economic risk of participating in the plan.

POLICIES ON THE COMPANY'S WEBSITE

The following policies and charters are contained in the Our Commitment section of the Company's website: www.atlanticltd.com.au.

- Audit Committee Charter;
- Board Charter;
- Code of Conduct;
- Constitution;
- Continuous Disclosure Policy;
- Diversity Policy;
- Market Communications Policy;
- Remuneration and Nomination Committee Charter;
- Risk Management Policy; and
- Securities Dealing Policy.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Revenue	4	4,244	16,038
Cost of sales	4	(5,213)	(71,504)
Gross loss		(969)	(55,466)
Selling and distribution expenses		(571)	(627)
Other net operating income/(expenses)	4	(41,873)	75,694
Corporate expenses	4	(10,124)	(15,321)
Inventory net realisable value expense	11	-	(7,920)
Impairment	4	(24,569)	(478,463)
Gain on deconsolidation of subsidiaries	5	559,989	-
Profit/(loss) before interest and tax		481,883	(482,103)
Finance expenses	4	(89,944)	(154,995)
Profit/(loss) before tax		391,939	(637,098)
Tax benefit	7a	-	-
Profit/(loss) after tax		391,939	(637,098)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period		391,939	(637,098)
		Cents	Cents
Basic and diluted profit/(loss) per share (cents)	8	266.8	(433.6)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	9	5,957	8,075
Trade and other receivables	10	96	17,970
Inventory	11	-	12,480
Other current assets	12	279	2,389
Total current assets		6,332	40,914
Non-current assets			
Property, plant and equipment	13	-	18,534
Total non-current assets		-	18,534
Total assets		6,332	59,448
Liabilities			
Current liabilities			
Trade and other payables	14	16,756	69,311
Loans and borrowings	15	262,541	608,649
Provisions	16	168	3,575
Total current liabilities		279,465	681,535
Non-current liabilities			
Provisions	16	-	42,930
Total non-current liabilities		-	42,930
Total liabilities		279,465	724,465
Net liabilities		(273,133)	(665,017)
Shareholders' deficit			
Contributed equity	17	129,814	129,814
Reserves	18	(3,919)	(3,864)
Accumulated losses		(399,028)	(790,967)
Total shareholders' deficit		(273,133)	(665,017)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Ordinary shares $'000	Option reserve $'000	Shares reserved for Incentive Plan $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2014		129,814	-	(3,864)	(790,967)	(665,017)
Profit for the year		-	-	-	391,939	391,939
Other comprehensive income		-	-	-	-	-
Total comprehensive profit for the year		-	-	-	391,939	391,939
Transactions with owners in their capacity as owners:						
Amounts expensed for shares issued under Share Incentive Plan	18	-	-	17	-	17
Shares forfeited and settled under Share Incentive Plan	18	-	-	(72)	-	(72)
Balance at 30 June 2015		129,814	-	(3,919)	(399,028)	(273,133)

	Note	Ordinary shares $'000	Option reserve $'000	Shares reserved for Incentive Plan $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2013		129,814	-	(4,099)	(153,869)	(28,154)
Loss for the year		-	-	-	(637,098)	(637,098)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(637,098)	(637,098)
Transactions with owners in their capacity as owners:						
Amounts expensed for shares issued under Share Incentive Plan	18	-	-	313	-	313
Shares forfeited and settled under Share Incentive Plan	18	-	-	(78)	-	(78)
Balance at 30 June 2014		129,814	-	(3,864)	(790,967)	(665,017)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		4,574	15,730
Payments to suppliers and employees		(32,947)	(113,837)
Interest received		230	102
Interest paid		(3,022)	(23,027)
Royalties paid		(147)	(496)
Net cash flows used in operating activities	21	(31,312)	(121,528)
Cash flows from investing activities			
Research and Development Tax Incentive receipts		16,057	29,546
Release of restricted cash		330	8,495
Insurance claim proceeds		61,003	26,250
Payments for exploration activities		-	(353)
Purchase of property, plant and equipment		(17,305)	(10,632)
Transfer of cash on deconsolidation of subsidiaries	5	(25,262)	-
Net cash flows from/(used in) investing activities		34,823	53,306
Cash flows from financing activities			
Proceeds from Convertible Bonds		-	20,000
Proceeds from Research and Development Tax Incentive facility		-	19,100
Repayment of Research and Development Tax Incentive facility		-	(19,100)
Proceeds from Droxford Secured Loan		-	29,700
Proceeds from Promissory Notes		-	22,500
Advances for product financing		301	8,930
Repayment of product financing		(3,433)	(4,908)
Repayment of Promissory Note		(2,500)	-
Net cash flows from financing activities		(5,632)	76,222
Net increase/(decrease) in cash and cash equivalents		(2,121)	8,000
Cash and cash equivalents at beginning of the year		8,075	75
Net foreign exchange differences		3	-
Cash and cash equivalents at end of the year	9	5,957	8,075

The above 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 YEAR ENDED 30 JUNE 2015

1 CORPORATE INFORMATION

The consolidated financial report of Atlantic Ltd for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 16 February 2016.

Atlantic Ltd (**Atlantic** or the **Company**) is a for-profit company limited by shares incorporated in Australia whose shares are publicly listed 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 financial report of the Company for the year ended 30 June 2015 comprises the Company and its subsidiaries for the period in which those subsidiaries were controlled by the Company (together referred to as the **Consolidated Entity** or **Group**).

The nature of the operations and principal activities of the Group are described in the Directors' Report on pages 4 to 22, which does not form part of these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report has been prepared on a historical cost basis, except for derivatives which have been measured at fair value as disclosed below in the accounting policies and notes to the financial statements.

The financial report also complies with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated pursuant to the option available to the Company under ASIC Class Order 98/100.

The accounting policies adopted are consistent with those of the previous year except as disclosed below.

B Going Concern

As at 30 June 2015, the Group had the following going concern indicators:

a. A working capital deficiency of $273.133 million with cash on hand of $5.957 million;

b. A net asset deficiency of $273.133 million; and

c. The Group incurred a loss after tax of $168.050 million (without gain recognised on deconsolidation) for the year ended 30 June 2015 and had cash outflows from operating activities of $31.312 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Going Concern (Continued)

The Director of the Company's wholly-owned subsidiaries Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**AVHPL**) and Midwest Vanadium Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**MVPL**) appointed Darren Weaver, Martin Jones and Ben Johnson of Ferrier Hodgson as Joint and Several Administrators of AVHPL and MVPL on 11 February 2015.

Following the appointment of Joint and Several Administrators of AVHPL and MVPL, MVPL's Senior Secured Notes (**Notes Group**) appointed Norman Oehme, Keith Crawford and Matthew Caddy of McGrathNicol as Receivers and Managers of AVHPL and MVPL on 12 February 2015.

As a result of the appointment of administrators to AVHPL and MVPL, Atlantic deconsolidated these entities for reporting purposes from 12 February 2015.

In May 2015, Atlantic entered into a formal forbearance agreement with its largest shareholder and creditor Droxford International Limited (**Droxford**). Under the terms of the forbearance agreement, Droxford agreed that it would forbear and not take any action to accelerate any of its Convertible Bond or Promissory Note debts due on 6 March 2015 until 6 October 2015, subject to certain conditions including there being no further defaults by Atlantic under those finance documents.

In September 2015, Atlantic announced that it had reached agreement with Droxford for an extension to those forbearance arrangements to extend the forbearance period until 6 April 2016.

Atlantic is currently in discussions with Droxford regarding a solvent restructuring of the Company.

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 $5.957 million in available cash as at 30 June 2015;
- Atlantic did not guarantee any of the debts of AVHPL and MVPL and accordingly it is not exposed to the creditors of these entities;
- Atlantic has significantly reduced expenses as a result of steps taken following the appointment of administrators of AVHPL and MVPL and, excluding the loans due to Droxford discussed below, is in a financial position to pay its trade creditors on normal commercial terms;
- As at 30 June 2015, Atlantic had $278.714 million in due and payable facilities with Droxford. Droxford and Atlantic have entered into a forbearance agreement to forbear the outstanding principal and interest on the Convertible Bonds and Promissory Notes until 6 April 2016; and
- During the forbearance period, Atlantic and Droxford intend to use their best efforts to negotiate and effect a solvent restructuring of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Going Concern (Continued)

There are a number of inherent uncertainties about the future of Atlantic 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.

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 agreed and implemented with Droxford during the forbearance period and therefore it is appropriate to prepare the financial statements 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

The following amended Australian Accounting Standards and Interpretations relevant to the operations of the Consolidated Entity and effective 1 July 2014 have been adopted from 1 July 2014.

Reference	Title	Impact
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.	There was no material impact on the Annual Report
AASB 1031	*Materiality* The revised AASB 1031 is an interim Standard that cross-references to other Standards and the *Framework* (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	There was no material impact on the Annual Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C New Accounting Standards and Interpretations (Continued)

Reference	Title	Impact
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	There was no material impact on the Annual Report
AASB 2014-1 Part A – Annual Improvements 2010-2012 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*. Annual Improvements to *IFRSs 2010-2012 Cycle* addresses the following items: • AASB 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. • AASB 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. • AASB 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets. • AASB 116 and AASB 138 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.	There was no material impact on the Annual Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C New Accounting Standards and Interpretations (Continued)

Reference	Title	Impact
AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle (Continued)	• AASB 124 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 *Related Party Disclosures* for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	There was no material impact on the Annual Report

D Accounting Standards and Interpretations Issued But Not Yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2015 are outlined in the table below.

Reference	Title	Summary of change	Application date of Standard	Application date for Group
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new Standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described as follows:	1 Jan 2018	1 Jul 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Accounting Standards and Interpretations Issued But Not Yet Effective (Continued)

Reference	Title	Summary of change	Application date of Standard	Application date for Group
AASB 9 (Continued)	*Financial Instruments*	Financial assets a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (**FVPL**) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (**OCI**).	1 Jan 2018	1 Jul 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Accounting Standards and Interpretations Issued But Not Yet Effective (Continued)

Reference	Title	Summary of change	Application date of Standard	Application date for Group
AASB 9 (Continued)	*Financial Instruments*	• The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.	1 Jan 2018	1 Jul 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	1 Jan 2016	1 Jul 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Accounting Standards and Interpretations Issued But Not Yet Effective (Continued)

Reference	Title	Summary of change	Application date of Standard	Application date for Group
AASB 2014-4 (Continued)	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (Continued)	The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 Jan 2016	1 Jul 2016
AASB 15	*Revenue from Contracts with Customers*	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition Standards AASB 111*Construction Contracts*, AASB118 *Revenue* and related Interpretations (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (**IASB**) and developed jointly with the US Financial Accounting Standards Board (**FASB**). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting Standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 Jan 2017	1 Jul 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Accounting Standards and Interpretations Issued But Not Yet Effective (Continued)

Reference	Title	Summary of change	Application date of Standard	Application date for Group
AASB 15 (Continued)	*Revenue from Contracts with Customers*	An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer. (b) Step 2: Identify the performance obligations in the contract. (c) Step 3: Determine the transaction price. (d) Step 4: Allocate the transaction price to the performance obligations in the contract. (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 Jan 2017	1 Jul 2017

An assessment of the impact of the new Standards and Interpretations has not been completed, however those effective 1 July 2015 are not expected to have a material impact.

E Basis of Consolidation

The consolidated financial statements comprise the financial statements of Atlantic and its subsidiaries as at and for part of all of the period ended 30 June 2015 (the **Group**).

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Basis of Consolidation (Continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Atlantic are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

F Foreign Currency Translation

(i) Functional and presentation currency

Both the functional and presentation currency of Atlantic and its subsidiaries is Australian dollars ($).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Foreign Currency Translation (Continued)

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for qualifying cash flow hedges, which are recognised directly in equity.

G Share-Based Payments

(i) Equity-settled transactions

The Group has historically provided benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted (see note 20).

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Atlantic (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Share-Based Payments (Continued)

(i) Equity-settled transactions (Continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(ii) Executive Share Incentive Plan and Employee Loyalty and Alignment Share Plan

The Share Incentive Plan (**Incentive Plan**) is accounted for as "in substance" option plan due to the limited recourse nature of the loans between the employees and the Company to finance the purchase of ordinary shares. The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. The total fair value of the awards under the plans are recognised as share-based payment expenses over the vesting period, with a corresponding increase in reserves.

Shares in the Company held under the Incentive Plan are classified and disclosed as reserved shares and are deducted from equity.

H Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Trade and Other Receivables

Trade and other receivables, which generally have 30 to 90 day terms, are recognised at fair value less an allowance for impairment.

Collectability of trade and other receivables are reviewed on an ongoing basis. Individual debts that are known to be uncollectable are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

J Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

K Financial Instruments

Financial instruments in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The classification depends on the purpose for which the investments were acquired or originated. Designation is determined at the point of initial recognition. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, and directly attributable transactions costs.

(i) Recognition and de-recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it de-recognises the asset if it has transferred control of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Financial Instruments (Continued)

(ii) Subsequent measurement

Loans and receivables

Loans and receivables including loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

L Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. Changes in fair value of non-hedging derivatives are recognised immediately in profit or loss and are included in "other income" or "other expenses". The Group does not have any derivatives designated as hedging instruments.

M Convertible Bonds

Convertible Bonds are split into two components: a debt component and a component representing the embedded derivative in the Convertible Bonds. The debt component represents the Group's liability for future interest coupon payments and the redemption amount. The embedded derivatives component represents the value of the option that bond holders have to convert into ordinary shares in the Company.

The debt component of the Convertible Bonds is measured at amortised cost and therefore increases as the present value of the interest coupon payments and redemption amount increases, with a corresponding charge to finance cost. The debt component is decreased by any cash interest coupon payments made. The embedded derivative is measured at fair value at each balance sheet date, and the change in the fair value recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of Assets

(i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. All impairment losses are recognised in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in the profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, or on a units-of-production basis. Land is not depreciated.

The estimated useful lives used are as follows:

Site buildings	4-28 years
Site plant and equipment	2-28 years
Office equipment	2-6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O Property, Plant and Equipment (Continued)

(iv) Mine properties and development

Mine properties

Once a development decision has been taken, expenditure for the establishment of access to mineral reserves, together with capitalised exploration and evaluation expenditure, including an appropriate portion of related overhead expenditure directly attributable to the development property are capitalised and classified under non-current assets as mine properties and development.

No amortisation is provided in respect of mine properties and development until commercial production is declared by the Group (for new operations).

After the commencement of commercial production, amortisation of costs is provided on the unit-of-production method which results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves over the life of the mine (comprising proven and probable reserves).

Deferred stripping

As part of its mining operations, the Group incurs mining stripping (waste removal) costs during the production phase of its operations.

Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If mining of waste occurs in a period in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided on the units-of-production method over the life of the identified component of the ore body. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

(v) De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Q Exploration and Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) The rights to tenure of the area of interest are current; and

(ii) At least one of the following conditions is also met:

  (a) The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

  (b) Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q Exploration and Evaluation (Continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to mine properties and development within property, plant and equipment.

R Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

S Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S Provisions (Continued)

(i) Employee leave benefits

Short-term benefits

Liabilities for wages and salaries, and other benefits expected to be wholly settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and disclosed as a short-term benefit. They are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long-term employee benefits

The liability for long-term benefits is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(ii) Rehabilitation

Where the Group is required to decommission and rehabilitate mines and processing sites, to the extent that an environmental disturbance has occurred, to a condition acceptable to the relevant authorities.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T Interest-Bearing Loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

U Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

V Earnings per Share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

W Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss as a change to other comprehensive income. If contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Y Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Sale of goods

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z Income Tax and Other Taxes

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z Income Tax and Other Taxes (Continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (**GST**) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (**ATO**), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Carbon tax

Carbon emission units granted by the Australian Government are recognised at $nil value. Carbon emission units purchased for compliance purposes under the Australian Carbon Pricing Mechanism are recognised at cost.

An emissions liability is recognised as a liability when actual emissions exceed the emission units granted by the Australian Government. Any liability recognised is measured at the value of the purchased units held, with any excess liability measured at the current market value of carbon units at the reporting date. The movement in the liability is recognised in the Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Geographical location;
- National regulatory environment;
- Nature of the products and services; and
- Nature of the production processes.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

AB Research and Development Incentive Rebate

Research and Development Tax Incentives of the Group are accounted for as a Government grant. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AC Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

A Significant Accounting Judgements

(i) Insurance proceeds

Insurance proceeds are recognised only when they are virtually certain as a consequence of the uncertainty that the insurer will acknowledge the Group's claim and quantify the amount of benefits payable.

(ii) Research and Development Tax Incentive

The Research and Development Tax Incentive is administered jointly by AusIndustry (on behalf of Innovation Australia) and the ATO.

The Research and Development Tax Incentive is a self-assessment program that forms part of MVPL's annual tax return. The incentive is based on various stages of research and development activities relating to the Windimurra vanadium project. These various stages will then determine the eligibility of expenditure able to be claimed under the Research and Development Tax Incentive.

The Research and Development Tax Incentive has been recognised as a receivable at 30 June 2014 based on MVPL's calculations supporting its annual tax return. Subsequent to year end, MVPL received the Research and Development Tax Incentive recognised at 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

A Significant Accounting Judgements (Continued)

(iii) Borrowing costs

Significant assumptions are made in determining the level of borrowing costs that are capitalised in accordance with note 2W. The amount of borrowing costs, including foreign currency gains or losses, that are capitalised are capped to the hypothetical interest rate that the Group would have paid had the borrowings been denominated in the functional currency of the Group.

B Significant Accounting Estimates and Assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are as follows:

(i) Impairment of property plant and equipment, capitalised mine property and development expenditure

The future recoverability of capitalised mine property and development expenditure is dependent on a number of factors, including whether the Group is able to commercially extract the resource itself or, if not, whether it can successfully recover the expenditure on the related mine property and development asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining and processing ore, future legal changes (including changes to environmental rehabilitation obligations), changes to foreign exchange rates and changes to commodity prices. To the extent that capitalised mine property and development expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Property, plant and equipment is reviewed for any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the ‘value in use’ (being the net present value of expected future cash flows of the relevant cash generating unit (**CGU**)) and ‘fair value less costs to sell’.

In determining value in use, future cash flows are estimated and discounted to net present value based on:

- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices;
- Future exchange rate movements; and
- Future costs of production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

B Significant Accounting Estimates and Assumptions (Continued)

(i) Impairment of property plant and equipment, capitalised mine property and development expenditure (Continued)

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to the value of the CGU and hence property, plant and equipment. Any resulting impairment gains or losses recognised could in turn impact future financial results.

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 is based on the assets best use and highest value. It has been determined that a market participant acquiring the assets would place a higher value on individual assets rather than as a separate CGU.

Details of impairment charges recognised in the income statement are provided in note 4 and details on the carrying amounts of assets are shown in note 13.

(ii) Rehabilitation provision

Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable.

These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from amounts currently provided.

(iii) Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experiences as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once a year and considered against remaining useful life. Adjustments to useful life are made when considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

B Significant Accounting Estimates and Assumptions (Continued)

(iv) Recovery of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised in the Statement of Financial Position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise net deferred tax assets recognised could be impacted. Additionally, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods.

The Group has not recognised deferred tax assets arising from tax losses and other temporary differences. The ability of the Group to utilise its tax losses are subject to meeting the relevant statutory tests.

(v) Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in note 20. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may affect expenses and equity.

(vi) Acquisition levy provision

Significant estimates and assumptions are made in determining the acquisition levy provision as there are numerous factors that will affect the ultimate levy payable.

These factors include estimates on the value attributable to the property, plant and equipment and the probability weighting applied to the property, plant and equipment value. These uncertainties may result in the future actual payment being different to the amount currently provided.

(vii) Fair value of financial derivative instruments

The Group assesses the fair value of its financial derivative instruments in accordance with the accounting policy stated in note 2L. When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, fair value is determined using valuation techniques including the discounted cash flow model and Black-Scholes valuation model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as market volatility, probabilities, commodity prices and commodity consumption. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND EXPENSES

	2015 $'000	2014 $'000
Revenue		
Ferrovanadium	3,523	5,744
Iron ore	721	10,294
	4,244	16,038
Cost of sales		
Ferrovanadium	4,791	52,822
Iron ore	338	12,082
Depreciation	138	5,777
Government royalties	9	615
Carbon tax	(63)	208
	5,213	71,504
Other net operating income/(expenses)		
Care and maintenance post beneficiation plant fire	(16,418)	(19,312)
Foreign exchange gain/(loss)	(86,898)	5,248
Fair value movement of Convertible Bonds derivative	-	50,584
Fair value movement of gas contract derivative	-	(743)
Interest revenue	266	95
Insurance claim proceeds	61,003	26,250
Research and Development Tax Incentive	-	16,039
Sundry income	174	448
Loss of assets from beneficiation plant fire	-	(2,915)
	(41,873)	75,694
Corporate expenses		
Non-mine site depreciation	-	253
Employee benefits expense	3,527	5,556
Other corporate costs	6,597	9,512
	10,124	15,321
Impairment		
Impairment of property, plant and equipment	21,217	477,100
Impairment of prepayments	-	1,363
Impairment of receivables	3,352	-
	24,569	478,463
Finance expenses		
Interest expense – Senior Secured Notes	34,833	49,306
Loss on remeasure of liability (Senior Secured Notes)	-	6,168
Interest expense – Droxford Secured Loan	3,371	1,035
Interest expenses – Class A, B, C, and D Convertible Bonds and Promissory Notes	50,977	46,478
Loss on remeasure of liability (Class A, B, C and D Convertible Bonds)	-	46,644
Interest expense – other loans and borrowings	27	949
Unwinding of the discount on the rehabilitation provision	736	1,508
Finance and bank charges	-	2,907
	89,944	154,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 DECONSOLIDATION OF SUBSIDIARIES

(a) Administration and Receivership of AVHPL and MVPL

On 11 February 2015, Atlantic was informed by the financial advisors to the Notes Group that discussions between the Notes Group and Droxford regarding a consensual restructure of MVPL had been terminated. As a result, the Director of AVHPL and MVPL appointed Darren Weaver, Martin Jones, and Ben Johnson of Ferrier Hodgson as Joint and Several Administrators of AVHPL and MVPL. Following the appointment of Joint and Several Administrators, the Notes Group appointed Norman Oehme, Keith Crawford and Matthew Caddy of McGrath Nicol as Receivers and Managers of AVHPL and MVPL.

As a result of the appointment of Administrators and Receivers to AVHPL and MVPL, the subsidiaries that operated the Windimurra vanadium project, Atlantic deconsolidated these subsidiaries as at the date of 'loss of control', being 11 February 2015. As at the date Atlantic lost control of AVHPL and MVPL, the Windimurra vanadium project was the only operation of the Group.

(b) Gain Recognised on Deconsolidation

The table below details the gain recognised on the deconsolidation of AVHPL and MVPL:

	11 February 2015 $'000
Net liabilities of AVHPL and MVPL de-recognised on deconsolidation	(559,989)
Gain on disposal	(559,989)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 DECONSOLIDATION OF SUBSIDIARIES

(b) Gain Recognised on Deconsolidation (Continued)

Reconciliation of AVHPL and MVPL net liabilities de-recognised on deconsolidation:

	11 February 2015 $'000
Assets	
Current assets	
Cash and cash equivalents	25,262
Trade and other receivables	1,692
Inventory	7,891
Other current assets	1,124
Total current assets	35,969
Non-current assets	
Property, plant and equipment	21,554
Total non-current assets	21,554
Total assets	57,523
Liabilities	
Current liabilities	
Trade and other payables	91,652
Loans and borrowings	457,953
Provisions	20,722
Total current liabilities	570,327
Non-current liabilities	
Provisions	47,185
Total non-current liabilities	47,185
Total liabilities	617,512
Net liabilities	559,989

6 DIVIDENDS

No dividends have been paid during the year. There is no dividend proposed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX

(a) Income Tax Expense/(Benefit) Attributable to Continuing Operations

	2015 $'000	2014 $'000
Current income tax (benefit)/expense	-	-
Deferred income tax expense/(benefit)	-	-
	-	-

(b) Numerical Reconciliation of Income Tax Expense/(Benefit) to Prima Facie Tax Expense/(Benefit)

	2015 $'000	2014 $'000
Current income tax (benefit)/expense	-	-
Deferred income tax expense/(benefit)	-	-
	-	-
Profit/(loss) before income tax	391,939	(637,098)
Income tax benefit at 30% (2014: 30%)	117,582	(191,129)
Tax effect of:		
Non-deductible expenses and non-assessable income	50,309	9,888
Non-assessable income – gain on deconsolidation	(167,997)	-
Adjustments in respect of income tax in prior years	-	(228)
Deferred tax assets not brought to account as future income tax benefits	106	181,469
Income tax benefit attributable to operating loss	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable in Australia by corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

(c) Deferred Tax Assets Not Recognised

The Atlantic parent company has gross income tax losses of $13.495 million (2014: $13.105 million) and its subsidiaries have gross income tax losses of $4.797 million (2014: $341.388 million) that are available indefinitely for offset against future assessable income as at 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX (CONTINUED)

(c) Deferred Tax Assets Not Recognised (Continued)

This future income tax benefit will only be obtained if:

(i) The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

The following deferred tax assets are not brought to account, as it is not considered probable that future assessable income is sufficient to enable the benefit from the deferred tax assets to be realised:

	2015 $'000	2014 $'000
Income tax losses	5,488	106,348
Deductible temporary differences	437	180,193
	5,925	286,541

(d) Deferred Tax Assets and Liabilities

	Deferred tax assets 2015 $'000	Deferred tax liabilities 2015 $'000	Net 2015 $'000
Borrowing costs	242	-	242
Business related costs	42	-	42
Trade and other receivables	-	(5)	(5)
Annual leave provision	50	-	50
Trade and other payables	12	-	12
Property, plant and equipment	96	-	96
Tax losses carried forward	5,488	-	5,488
Deferred tax assets	5,930	(5)	5,925
Set-off of deferred tax liabilities	(5)	5	-
Unrecognised net deferred tax assets	(5,925)	-	(5,925)
Net deferred tax assets/(liabilities)	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX (CONTINUED)

(d) Deferred Tax Assets and Liabilities (Continued)

	Deferred tax assets 2014 $'000	Deferred tax liabilities 2014 $'000	Net 2014 $'000
Borrowing costs	3,104	-	3,104
Business related costs	1,963	-	1,963
Inventories	2,676	-	2,676
Annual leave provision	379	-	379
Trade and other payables	229	-	229
Loans and borrowings	6,677	-	6,677
Acquisition levy provision	694	-	694
Rehabilitation provision	9,247	-	9,247
Property, plant and equipment	155,224	-	155,224
Tax losses carried forward	106,348	-	106,348
Deferred tax assets	286,541	-	286,541
Set-off of deferred tax liabilities	-	-	-
Unrecognised net deferred tax assets	(286,541)	-	(286,541)
Net deferred tax assets/(liabilities)	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX (CONTINUED)

(e) Movement in Temporary Differences During the Year

	Balance 1 July 2014 $'000	Recognised in profit or loss $'000	Balances Deconsolidated $'000	Recognised in equity $'000	Balance 30 June 2015 $'000
Borrowing costs	3,104	137	(2,999)	-	242
Business related costs	1,963	(92)	(1,829)	-	42
Trade and other receivables	-	(5)	-	-	(5)
Inventories	2,676	-	(2,676)	-	-
Annual leave provision	379	(18)	(311)	-	50
Trade and other payables	229	(23)	(194)	-	12
Loans and borrowings	6,677	-	(6,677)	-	-
Acquisition levy provision	694	-	(694)	-	-
Rehabilitation provision	9,247	-	(9,247)	-	-
Property, plant and equipment	155,224	(10)	(155,118)	-	96
Tax losses carried forward	106,348	117	(100,977)	-	5,488
Unrecognised net deferred tax assets	(286,541)	(106)	280,722	-	(5,925)
	-	-	-	-	-

	Balance 1 July 2013 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2014 $'000
Borrowing costs	3,553	(449)	-	3,104
Business related costs	2,363	(400)	-	1,963
Trade and other receivables	(18)	18	-	-
Inventories	-	2,676	-	2,676
Derivatives	3,034	(3,034)	-	-
Annual leave provision	499	(120)	-	379
Trade and other payables	-	229	-	229
Loans and borrowings	20,654	(13,977)	-	6,677
Acquisition levy provision	-	694	-	694
Rehabilitation provision	3,658	5,589	-	9,247
Property, plant and equipment	6,005	149,219	-	155,224
Carbon tax provision	237	(237)	-	-
Tax losses carried forward	65,087	41,261	-	106,348
Unrecognised net deferred tax assets	(105,072)	(181,469)	-	(286,541)
	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 PROFIT/LOSS PER SHARE

	2015	2014
Weighted average number of ordinary shares for basic loss per share	146,912,428	146,912,428
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	146,912,428	146,912,428

At 30 June 2015, Droxford had the right to acquire 416.987 million ordinary shares (2014: 416.987 million) under the Class A and Class B Convertible Bonds. There are also 7,844,951 ordinary shares (2014: 7,844,951) which are currently held in trust by the Company in relation to prior year awards under the Incentive Plan. Both the Droxford and the Incentive Plan shares have been excluded from the calculation of diluted weighted average number of ordinary shares as their effect would have been anti-dilutive.

9 CASH AND CASH EQUIVALENTS

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

	2015 $'000	2014 $'000
Cash at bank and on hand	5,957	8,075

10 TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Current trade and other receivables		
Trade receivables	-	428
Goods and Services Tax (**GST**) receivable	35	355
Restricted cash on deposit (i)	45	791
Research and Development Tax Incentive receivable	-	16,039
Sundry receivables	3,370	357
Provision for doubtful debts	(3,354)	-
	96	17,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Restricted cash on deposit

Restricted cash on deposit relates to cash-backed bank guarantees for the operation of corporate credit cards and other facilities. The financial institution has taken security by way of right of offset against term deposits.

At 30 June 2015, the ageing analysis of trade receivables, GST receivables and sundry receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days	+91 days
2015	142	142	-	-	-
2014	1,140	1,140	-	-	-

The balances above do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

Fair Value and Credit Risk

Due to the short-term nature of these GST and sundry receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of GST and sundry receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign Exchange and Interest Rate Risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 25.

11 INVENTORIES

	2015 $'000	2014 $'000
Stores and consumable supplies - at net realisable value	-	5,985
Finished inventory on consignment - at net realisable value	-	6,495
	-	12,480

The inventory balances above are $nil due to the deconsolidation of AVHPL and MVPL during the period. Further information on the deconsolidation is disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 OTHER ASSETS

	2015 $'000	2014 $'000
Prepayments	279	3,752
Impairment allowance	-	(1,363)
	279	2,389

13 PROPERTY, PLANT AND EQUIPMENT

	Site plant & equipment $'000	Office equipment $'000	Assets under construction $'000	Mine properties & development $'000	Total $'000
For the year ended 30 June 2015					
At 1 July 2014 net of accumulated depreciation	18,494	40	-	-	18,534
Additions	-	-	20,667	285	20,952
Disposals	(96)	-	-	-	(96)
Change in rehabilitation provision	-	-	-	3,519	3,519
Impairment	-	-	(17,413)	(3,804)	(21,217)
Depreciation	(137)	(1)	-	-	(138)
Transfer on deconsolidation of subsidiary	(18,261)	(39)	(3,254)	-	(21,554)
At 30 June 2015 net of accumulated depreciation	-	-	-	-	-
At 30 June 2015					
Cost	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-
Net carrying amount	-	-	-	-	-

The property, plant and equipment balances above are $nil due to the deconsolidation of AVHPL and MVPL during the period. Atlantic has no property, plant and equipment as at 30 June 2015,

Further information on the deconsolidation is disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Site plant & equipment $'000	Office equipment $'000	Assets under construction $'000	Mine properties & development $'000	Total $'000
For the year ended 30 June 2014					
At 1 July 2013 net of accumulated depreciation	109,033	270	341,317	29,718	480,338
Transfer	345,386	1,324	(338,160)	(8,550)	-
Additions	6,916	-	-	2,419	9,335
Change in rehabilitation provision	-	-	-	17,119	17,119
Research and Development Tax Incentive refund	(2,213)	-	-	-	(2,213)
Impairment	(431,802)	(1,435)	(3,157)	(40,706)	(477,100)
Loss of assets from fire in beneficiation plant	(2,915)	-	-	-	(2,915)
Depreciation	(5,911)	(119)	-	-	(6,030)
At 30 June 2014 net of accumulated depreciation	18,494	40	-	-	18,534
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

Impairment

As at the time of deconsolidation, the Group had identified the following factors indicating a potential trigger for impairment:

- It had not been able to achieve nameplate production capacity at the Windimurra project;
- 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;
- A major fire occurred in the beneficiation plant in the prior year resulting in extensive damage to the plant and the suspension of vanadium production for an extended period; and
- During the current year 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.

The carrying value of the Windimurra project property, plant and equipment in the prior year was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment (Continued)

Property, plant and equipment

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

The Company engaged an independent valuation consultant, Valquip Consulting (**Valquip**), to undertake the fair value less costs to sell valuation of its property, plant and equipment assets as at 30 June 2014, except mine property and development assets.

The methodology adopted by Valquip in the prior year has been applied by management to the property, plant and equipment when it was deconsolidated on 11 February 2015 and an impairment expense of $21.217 million has been recognised.

Mine property and development assets

MVPL's mine property and development assets include licenses, tenements and stripping activity assets. MVPL valued its license and tenement assets when it was deconsolidated on 11 February 2015 after analysis of recent comparable vanadium transactions and comparable vanadium enterprise values. This analysis derived a range of values, and the Company has selected the low end of the valuation range, which was $nil. Both the recent depressed equity markets for resource projects and the over supplied vanadium market were key attributing factors to this valuation.

Property, Plant and Equipment Pledged as Security for Liabilities

Refer to note 15 for details of the security that exists over these assets.

14 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade payables	102	8,063
Interest payable - Promissory Notes	1,915	1,702
Interest payable – Bond liabilities	14,259	15,729
Interest payable – Senior Secured Notes	-	37,488
Interest payable – Droxford Secured Loan	-	157
Other payables	480	6,172
	16,756	69,311

The Senior Secured Notes and Droxford Secured Loan interest payable balances above are $nil due to the deconsolidation of AVHPL and MVPL during the period. Further information on the deconsolidation is disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 TRADE AND OTHER PAYABLES (CONTINUED)

Fair Value

Due to the short-term nature of these payables, their carrying value approximates fair value.

Interest Rate, Foreign Exchange and Liquidity Risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 25.

15 LOANS AND BORROWINGS

	2015 $'000	2014 $'000
Current loans and borrowings		
Insurance funding	-	509
FeV product financing (i)	-	4,692
Promissory Notes (ii)	26,775	24,224
Droxford Secured Loan (iii)	-	30,654
Senior Secured Notes (iv)	-	357,005
Bond liability (v)	235,766	191,565
	262,541	608,649

All loans and borrowings are disclosed as current in the current and prior year as a consequence of breaches of the relevant debt documents and the consequential cross-default on all other loans and borrowings. It is assumed that all loans and borrowings mature on 6 October 2015, being the termination date of the forbearance arrangements with Droxford in place at 30 June 2015. Refer note 30 for subsequent events relating to the standstill arrangements and proposed restructure of the Company.

(i) FeV product financing

The FeV product financing borrowing above is $nil due to the deconsolidation of AVHPL and MVPL during the period. Further information on the deconsolidation is disclosed in note 5.

(ii) Promissory Notes

There are unsecured Promissory Notes issued to Droxford for a total face value of $20.000 million. The original maturity date of the Promissory Notes was 6 March 2015 and interest was payable at the rate of 22.5% per annum semi-annually in arrears. As at 30 June 2015, the Promissory Notes were subject to the forbearance arrangements with Droxford that extends the maturity date to 6 October 2015.

The prior year balance included an unsecured $2.500 million Promissory Note plus accrued interest. This Promissory Note was repaid during the year leaving Droxford as the sole lender to Atlantic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LOANS AND BORROWINGS (CONTINUED)

(iii) Droxford Secured Loan

The Droxford Secured Loan balance above is $nil due to the deconsolidation of AVHPL and MVPL during the period. Further information on the deconsolidation is disclosed in note 5.

(iv) Senior Secured Notes

The Senior Secured Notes balance above is $nil due to the deconsolidation of AVHPL and MVPL during the period. Further information on the deconsolidation is disclosed in note 5.

(v) Bond liability

Reconciliation of movement

	2015 $'000
Balance 1 July 2014	191,565
Capitalise interest payable	44,201
Balance 30 June 2015	235,766

The Bond liability relates to Class A, B, C and D Convertible Bonds issued to Droxford and have been classified as current liabilities due to the cross-default associated with the breaches of the Indenture.

	2014 $'000
Balance 1 July 2013	66,107
Promissory Notes exchanged into Class C Bond	27,268
Promissory Notes borrowing costs	9,478
Issue of Class D Bond	16,136
Remeasure Class A, B, C and D Bonds on cross-default breach	46,644
Capitalise interest payable	25,932
Balance 30 June 2014	191,565

As at 30 June 2015, Class C and D Bonds have been classified as current liabilities. As the conversion option is no longer available, there has been no financial derivative recognised for Class C and D Bonds at 30 June 2015 (2014: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LOANS AND BORROWINGS (CONTINUED)

(v) Bond liability (Continued)

As at 30 June 2015, Class A and B Convertible Bonds have also been classified as current liabilities. Although the conversion option is available for these Bonds, the Company has determined there is no likelihood this option will be exercised by the holder. The fair value of the associated embedded derivative has been valued at $nil (2014: $nil).

The Bond liabilities have the following key terms:

	Class A Convertible Bonds	Class B Convertible Bonds	Class C Convertible Bonds	Class D Convertible Bonds
Amount	$30.000 million	$50.000 million	$35.368 million	$20.000 million
Original maturity	6 March 2015	6 March 2015	6 March 2015	6 March 2015
Coupon	17.5% Interest can be paid in cash or capitalised at bond holder's election	22.5% Interest can be paid in cash or capitalised at bond holder's election	22.5% Interest can be paid in cash or capitalised at bond holder's election	22.5% Interest can be paid in cash or capitalised at bond holder's election
Ranking	Unsecured	Unsecured	Unsecured	Unsecured
Initial conversion price	$0.500[1]	$0.500[1]	N/A	N/A
[1] **Conversion price reset**	The conversion price will be reset upon any future issue of securities at a price lower than the conversion price. The conversion price was reset by the issue of Class D Convertible Bonds convertible at $0.2625.	The conversion price will be reset upon any future issue of securities at a price lower than the conversion price. The conversion price was reset by the issue of Class D Convertible Bonds convertible at $0.2625.	N/A	N/A

As at 30 June 2015, the assumed maturity date of all Bonds is 6 October 2015 being the date of the expiry of the standstill agreement as at that date. The carrying value of the debt is carried at amortised cost by discounting the future payments using the original effective interest rate.

Under the terms of the Convertible Bond agreements there is a possibility of additional interest charges accruing under certain scenarios. The additional interest charges have not been accounted for as it has been assessed as unlikely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LOANS AND BORROWINGS (CONTINUED)

(v) Bond liability (Continued)

A reconciliation of the Bond liabilities by Class is provided below.

	2015 $'000	2014 $'000
Class A Convertible Bond	48,163	41,079
Class B Convertible Bond	82,892	66,492
Class C Bond	68,589	55,019
Class D Bond	36,122	28,975
	235,766	191,565

Interest Rate, Foreign Exchange, Liquidity Risk and Fair Value

Details regarding interest rate, foreign exchange, liquidity risk and fair value are disclosed in note 25.

16 PROVISIONS

	2015 $'000	2014 $'000
Current provisions		
Acquisition levy (i)	-	2,312
Annual leave	168	1,263
	168	3,575
Non-current provisions		
Rehabilitation provision (ii)	-	42,930
	-	42,930

Movements in Provisions

	Acquisition levy $'000	Rehabilitation provision $'000
At 1 July 2014	2,312	42,930
Unwinding of discount	-	736
Movement due to changes in assumptions	-	3,519
Transfer on deconsolidation of subsidiaries	(2,312)	(47,185)
At 30 June 2015	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROVISIONS (CONTINUED)

Nature of Provisions

(i) Acquisition levy

The acquisition levy provision represents the Group's best estimate of the amount payable in connection with the acquisition of MVPL in September 2010. The acquisition levy was de-recognised as a result of the deconsolidation of AVHPL and MVPL on 11 February 2015.

(ii) Rehabilitation provision

In accordance with Western Australian law, land disturbed by MVPL in Western Australia must be restored in accordance with the environmental conditions attached to the mine leases upon the decommissioning of the mine. Because of the long-term nature of the liability, the estimate of the provision is subject to change based on amendments to the laws and regulations, and as new information concerning MVPL's operations becomes available. In particular, MVPL has assumed that the site will be restored using technology and materials that are currently available.

The rehabilitation provision represents MVPL's best estimate of the costs required to rehabilitate the existing environmental disturbance relating to the plant, tailings storage facilities, pits and waste dump at the Windimurra project site.

Key assumptions for the provision at 11 February 2015 include:

- Inflation: 2.567% per annum (2014: 2.620%);
- Discount rate: 2.739% per annum (2014: 3.540%); and
- Years before rehabilitation activities will need to be undertaken: 11 years (2014: 11 years).

The provision was de-recognised as part of the deconsolidation of AVHPL and MVPL on 11 February 2015. Further information on the deconsolidation is disclosed in note 5.

17 CONTRIBUTED EQUITY

	No. Shares	2015 $'000
Issued and fully paid ordinary shares	154,757,339	129,814

	No. Shares	2014 $'000
Issued and fully paid ordinary shares	154,757,339	129,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 CONTRIBUTED EQUITY (CONTINUED)

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	No. Shares	2015 $'000
Ordinary shares		
Movements in ordinary shares on issue		
At 1 July 2014	154,757,339	129,814
At 30 June 2015	154,757,339	129,814

	No. Shares	$'000
Performance shares		
At 1 July 2014	66	-
At 30 June 2015	66	-

	No. Shares	2014 $'000
Ordinary shares		
Movements in ordinary shares on issue		
At 1 July 2013	154,757,339	129,814
At 30 June 2014	154,757,339	129,814

	No. Shares	$'000
Performance shares		
At 1 July 2013	66	-
At 30 June 2014	66	-

Class B performance shares do not participate in dividends and the proceeds on a winding up of the parent entity. Class B performance shares hold no voting rights at shareholders' meetings when a poll is called, and are not eligible to participate in votes on a show of hands.

The Class B performance shares convert to a total of 6 million ordinary shares upon the delineation of a resource of not less than 30 million tonnes of greater than 35% aluminium oxide on the Bao Loc exploration area. As at 30 June 2015 and 30 June 2014, the above condition had not been met. The Class B performance shares converted to 66 ordinary shares in accordance with the terms of the Class B performance shares on 4 August 2015. As a result, the dilutive effect of the Class B performance shares has not been considered in the earnings per share calculation (note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES

	No. Shares	2015 $'000
Shares reserved for Executive Share Incentive Plan	4,960,000	(2,010)
Shares reserved for Employee Loyalty and Alignment Share Plan	3,484,951	(1,909)
At 30 June 2015	8,444,951	(3,919)

	No. Shares	2014 $'000
Shares reserved for Executive Share Incentive Plan	4,960,000	(2,010)
Shares reserved for Employee Loyalty and Alignment Share Plan	3,484,951	(1,854)
At 30 June 2014	8,444,951	(3,864)

Movement in Reserves

	No. Shares	$'000
Shares reserved for Executive Share Incentive Plan		
At 1 July 2014	4,960,000	(2,010)
At 30 June 2015	4,960,000	(2,010)

	No. Shares	$'000
Shares reserved for Employee Loyalty and Alignment Share Plan		
At 1 July 2014	3,484,951	(1,854)
Amount of expenses for shares issued to employees	-	17
Forfeited shares	-	(72)
At 30 June 2015	3,484,951	(1,909)

Atlantic's Incentive Plan is offered to senior executives of the Group as the Executive Share Incentive Plan (**ESIP**) and to a broader group of managers and employees pursuant to the Employee Loyalty and Alignment Share Plan (**ELAS**).

The shares reserved for the ESIP Reserve are used to record the fair value of shares issued under this plan. At the time of grant the total value of shares issued under the plan is recognised in issued capital, with a corresponding charge to the ESIP Reserve. The ESIP is accounted for as an "in substance" option plan due to the limited recourse nature of the loan between executives and the Company to finance the purchase of ordinary shares. The total fair value of the award under the plan is recognised as a share-based payment expense over the vesting period, with a corresponding increase in the ESIP Reserve. Information on the valuation of the award under the ESIP during the period is disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES (CONTINUED)

Movement in Reserves (Continued)

The shares reserved for the ELAS Reserve are used to record the fair value of shares issued under this plan. At the time of grant the loan value of shares issued under the plan is recognised in issued capital, with a corresponding charge to the ELAS Reserve. The ELAS is accounted for as an "in substance" option plan due to the limited recourse nature of the loan between employees and the Company to finance the purchase of ordinary shares. The total fair value of the award under the plan is recognised as a share-based payment expense over the vesting period, with a corresponding increase in the ELAS Reserve. Information on the valuation of the award under the ELAS during the period is disclosed in note 20.

19 OPTIONS OVER ORDINARY SHARES

As at 30 June 2015, the Company had a total of 4,960,000 (2014: 4,960,000) issued ordinary shares related to ESIP grants where the loans remain outstanding (refer note 20 for more information on the ESIP). The awards have been accounted for as "in substance" options.

As at 30 June 2015, the Company had a total of 3,484,951 (2014: 3,484,951) issued ordinary shares related to ELAS grants where the loans remain outstanding (refer note 20 for more information on the ELAS). The awards have been accounted for as "in substance" options.

20 SHARE-BASED PAYMENTS

Share-Based Payment Transactions

Share-based payment transactions recognised during the period were as follows:

	2015 $'000	2014 $'000
Amounts expensed for shares issued under the Share Incentive Plan (i)	17	313

(i) Shares issued under the Employee Loyalty and Alignment Share Plan (ELAS)

Under this plan, eligible employees are offered shares in Atlantic at prices determined by the Board. The Board has the ultimate discretion to impose special conditions on the shares issued under the ELAS and can grant a loan to a participant for the purposes of subscribing for plan shares. Shares issued under loan facilities are held on trust for the benefit of the participant and will only be transferred into the participant's name once the loan has been fully repaid. ELAS participants receive all the rights associated with the ordinary shares.

Loans granted to participants are limited recourse and interest free unless otherwise determined by the Board. The loans are to be repaid via the application of any dividends received from the shares and/or the sale of the plan shares. Where the loan is repaid by the sale of shares, any remaining surplus on sale is remitted to the participant while any shortfall is borne by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE-BASED PAYMENTS (CONTINUED)

Share-Based Payment Transactions (Continued)

(i) Shares issued under the Employee Loyalty and Alignment Share Plan (ELAS) (Continued)

Fair value of shares granted

Shares granted under the ELAS are accounted for as "in substance" options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of shares issued under the ELAS is determined using a Black-Scholes model using the following model inputs:

ELAS A – Granted 6 March 2012	
Shares granted for no consideration	2,884,951
Loan price ($)	0.88
Grant date	6 March 2012
Expiry date	6 March 2017
Underlying security spot price at grant date ($)	0.90
Expected price volatility of the Company's shares	88%
Expected dividend yield	0%
Risk-free interest rate	6%
Black-Scholes valuation per option ($)	0.65

ELAS B – Granted 5 March 2013	
Shares granted for no consideration	600,000
Loan price ($)	0.50
Grant date	5 March 2013
Expiry date	5 March 2018
Underlying security spot price at grant date ($)	0.20
Expected price volatility of the Company's shares	92%
Expected dividend yield	0%
Risk-free interest rate	3%
Black-Scholes valuation per option ($)	0.11

Upon employee resignation, any unvested rights are relinquished with the associated expense written back to the ELAS Reserve. Total forfeited shares by employees during the period were 404,127 (2014: 276,522) amounting to $0.072 million (2014: $0.078 million) previously recognised as a share-based payment expense reversed to the ELAS Reserve. The rights to shares under the Incentive Plan vest one third each year and are exercisable up to the expiry date of 6 March 2017 for ELAS A and 5 March 2018 for ELAS B.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE-BASED PAYMENTS (CONTINUED)

Share-Based Payment Transactions (Continued)

(i) Shares issued under the Employee Loyalty and Alignment Share Plan (ELAS) (Continued)

Movements during the year

The following table illustrates the number, weighted average exercise prices (**WAEP**) and movements in shares during the year:

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding at 1 July	1,443,297	0.75	1,712,243	0.75
Forfeited during the year	(404,127)	-	(268,946)	-
Exercised during the year	-	-	-	-
Expired during the year	(1,016,443)	-	-	-
Granted during the year	-	0.75	-	0.75
Outstanding at 30 June	22,727	-	1,443,297	-
Exercisable at 30 June	22,727	0.88	824,026	0.75

The ELAS shares outstanding at 30 June 2015 have an exercise price of $0.880 (2014: $0.500 to $0.880).

(ii) Shares issued under the Executive Share Incentive Plan (ESIP)

Under this plan, eligible employees are offered shares in Atlantic at prices determined by the Board. The Board has the ultimate discretion to impose special conditions on the shares issued under the ESIP and can grant a loan to a participant for the purposes of subscribing for plan shares. Shares issued under loan facilities are held on trust for the benefit of the participant and will only be transferred into the participant's name once the loan has been fully repaid. ESIP participants receive all the rights associated with the ordinary shares.

1,000,000 shares were issued to Tony Veitch on 5 July 2010. The shares are not tradeable until the Company's shares have traded above $1.875 each for more than 10 consecutive trading days. As at 30 June 2015 and 30 June 2014, all shares are fully vested but not tradeable.

3,960,000 shares were issued to Michael Minosora on 24 December 2009. These shares comprise:

- 1,320,000 shares at $0.825 per share which vest after six months;
- 1,320,000 shares at $1.000 per share which vest after 12 months; and
- 1,320,000 shares at $1.250 per share which vest after 18 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE-BASED PAYMENTS (CONTINUED)

Share-Based Payment Transactions (Continued)

(ii) Shares issued under the Executive Share Incentive Plan (ESIP) (Continued)

The shares are not tradeable until the Company's shares have traded above $1.250 each for more than 10 consecutive trading days. As at 30 June 2015 and 30 June 2014, all shares are fully vested but not tradeable.

Loans granted to participants are limited recourse and interest free unless otherwise determined by the Board. The loans are to be repaid via the application of any dividends received from the shares and/or the sale of the plan shares. Where the loan is repaid by the sale of shares, any remaining surplus on sale is remitted to the participant while any shortfall is borne by the Company.

Shares granted under the ESIP are accounted for as "in substance" options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of shares issued under the ESIP is determined using a Black-Scholes model using the following model inputs:

Shares issued to Tony Veitch on 5 July 2010:

Loan price per share ($)	1.75
Valuation date	5 July 2010
Loan expiry date	-
Underlying security spot price at valuation date ($)	0.975
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Risk-free interest rate	4.57%
Black-Scholes valuation per share ($, post-consolidation)	0.75

Shares issued to Michael Minosora on 24 December 2009 (tranche 1):

Loan price per share ($)	0.83
Valuation date	27 November 2009
Loan expiry date	24 December 2014
Underlying security spot price at valuation date ($)	1.000
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Risk-free interest rate	4.81%
Black-Scholes valuation per share ($, post-consolidation)	0.79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE-BASED PAYMENTS (CONTINUED)

Share-Based Payment Transactions (Continued)

(ii) Shares issued under the Executive Share Incentive Plan (ESIP) (Continued)

Shares issued to Michael Minosora on 24 December 2009 (tranche 2):

Loan price per share ($)	1.00
Valuation date	27 November 2009
Loan expiry date	24 December 2014
Underlying security spot price at valuation date ($)	1.000
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Risk-free interest rate	4.81%
Black-Scholes valuation per share ($, post-consolidation)	0.77

Shares issued to Michael Minosora on 24 December 2009 (tranche 3):

Loan price per share ($)	1.25
Valuation date	27 November 2009
Loan expiry date	24 December 2014
Underlying security spot price at valuation date ($)	1.00
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Risk-free interest rate	4.81%
Black-Scholes valuation per share ($, post-consolidation)	0.74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH FLOW STATEMENT RECONCILIATION

(i) Reconciliation of (Loss)/Profit for the Year to Net Cash Flows from Operations

	2015 $'000	2014 $'000
Profit/(loss) after income tax	391,939	(637,098)
Adjustments for:		
Depreciation	138	6,030
Loss of assets from fire at beneficiation plant	-	2,915
Inventory net realisable value expense	-	7,920
Insurance claim proceeds	(61,003)	(26,250)
Non-cash finance expenses	86,159	108,262
Net foreign exchange (gains)/losses	86,898	(4,964)
Share-based payments expense	54	234
Unwinding of the discount on the rehabilitation provision	736	1,508
Impairment	24,569	478,463
Fair value of derivatives	-	(49,841)
Gain on deconsolidation	(559,989)	-
Changes in assets and liabilities:		
(Decrease)/increase in trade and other receivables	101	(15,174)
(Decrease)/increase in prepayments	113	(268)
Decrease in inventories	-	(6,347)
(Decrease)/increase in trade and other payables	(949)	14,270
(Decrease)/increase in provisions	(78)	(1,188)
Net cash used in operating activities	(31,312)	(121,528)

22 OPERATING SEGMENTS

Atlantic has assessed its operating segments for the year ended 30 June 2015 and has identified one operating segment being the Windimurra vanadium project. This is based on the internal reports that are reviewed and used by the Board of Directors for assessing performance and determining the allocation of resources in the Group.

In 2015, the three most significant customers equated on a proportionate basis to 18% of total revenue. There was one major customer who individually accounted for more than 10% of total revenue, contributing 17% of total revenue. All revenue during the year was generated by customers domiciled outside of Australia.

All non-current assets stated in the balance sheet are located in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RELATED PARTY DISCLOSURES

Subsidiaries

The consolidated financial statements include the financial statements of Atlantic and the subsidiaries listed in the following table.

Name	Note	Country of incorporation	% Equity interest	
			2015	2014
Azure Mining International Pty Ltd	(a)	Australia	100%	100%
Atlantic (Middle East) Pty Ltd	(a)	Australia	100%	100%
Atlantic Incentive Plan Pty Ltd	(a)	Australia	100%	100%
Atlantic (Mining) Pty Ltd	(a)	Australia	100%	100%
Midwest Vanadium Pty Ltd	(b)	Australia	0%	100%
Atlantic Vanadium Holdings Pty Ltd	(b)	Australia	0%	100%

(a) These entities are not required to be separately audited. An audit of these entity's results and position is performed for the purpose of inclusion in the Consolidated Entity accounts.

(b) Atlantic lost control of these entities when they were placed into administration on 11 February 2015.

Ultimate Parent

Atlantic is the ultimate Australian parent entity and ultimate parent of the Group.

Loans to Subsidiaries

Terms and conditions of loans

Loans between entities in the wholly-owned Group are non-interest bearing, unsecured and are payable upon reasonable notice having regard to the financial situation of the entity.

Directors

The names of the persons who were Directors of Atlantic at any time during the financial year are as follows:

Gary Lewis (Non-Executive Chairman)

Phiong Phillipus Darma (Non-Executive Director)

Bradley Ellis (Non-Executive Director)

Mike Daniel (Non-Executive Director)

Droxford

Droxford is a substantial shareholder of Atlantic, holding 17.42% of the shares as at 30 June 2015. In prior years, Droxford has provided funding to the Group in the form of various loans and borrowing facilities (Promissory Notes, Convertible Bonds and Droxford Secured Loan, refer note 15), which has resulted in outstanding liabilities as at 30 June 2015, accrued interest payable (note 14), and the recognition of interest expense during the year ended 30 June 2015 (note 4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with Directors and Director-Related Entities

There were no transactions undertaken between any Group company and any Director-related parties during the year ended 30 June 2015.

24 KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

(i) Non-Executive Directors

Gary Lewis (Non-Executive Chairman), appointed 11 March 2014, resigned 19 October 2015

Phiong Phillipus Darma (Non-Executive Director)

Bradley Ellis (Non-Executive Director), appointed 16 December 2013

Mike Daniel (Non-Executive Director), appointed 13 January 2014

(ii) Other Key Management Personnel

Daniel Harris (Chief Executive Officer), departed 11 February 2015

Tony Veitch (Chief Commercial Officer)

Terry Bourke (General Counsel)

Scott Nicholas (Chief Financial Officer), appointed 20 September 2014

John Gardener (General Manager Sales & Marketing), resigned 2 April 2015

Terry Perles (President North America), resigned 11 June 2015

(b) Compensation for Key Management Personnel

	2015 $	2014 $
Short-term employee benefits	2,195,491	3,788,596
Post-employment benefits	90,252	138,895
Termination benefits	143,050	786,464
Share-based payment	(15,174)	67,458
Total compensation for Key Management Personnel	2,413,619	4,781,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2015:

	Liabilities/loans and receivables $'000	Fair value through profit and loss $'000	Fair value through other comprehensive income $'000
Financial assets:			
Receivables	96	-	-
Total current	96	-	-
Total	96	-	-
Financial liabilities:			
Payables	16,258	-	-
Loans and borrowings	263,039	-	-
Total current	279,297	-	-
Total	279,297	-	-

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2014:

	Liabilities/loans and receivables $'000	Fair value through profit and loss $'000	Fair value through other comprehensive income $'000
Financial assets:			
Receivables	17,970	-	-
Total current	17,970	-	-
Financial asset	-	743	-
Total non-current	-	743	-
Total	17,970	743	-
Financial liabilities:			
Payables	69,311	-	-
Loans and borrowings	608,649	-	-
Financial derivative liability	-	50,584	-
Total current	677,960	50,584	-
Loans and borrowings	-	-	-
Total non-current	-	-	-
Total	677,960	50,584	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, restricted cash on deposit, trade and other receivables, trade and other payables, Convertible Bonds and Promissory Notes.

Exposure to key financial risks are monitored at Board level but there are currently no formal financial risk management policies in place. The objective of financial risk management is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage the different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analysis and monitoring of the credit ratings of financial institutions are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash forecasts. Primary responsibility for identification and control of financial risks rests with the Board, which agrees actions for managing each of the risks identified below.

(b) Capital Risk Management

When managing capital (being equity and long-term debt), management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders. Management also aims to maintain a capital structure that ensures the lowest possible cost of capital available to the entity reflecting the current business status of the entity.

Management constantly monitors its capital structure to take advantage of favourable costs of capital or high return on assets.

The Group does not currently have a dividend policy.

The Company monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. To a lesser extent, gearing ratios are also used to monitor capital.

(c) Commodity Price Risk

As a result of the deconsolidation of AVHPL and MVPL on 11 February 2015, Atlantic is no longer exposed to these commodity price risks.

Vanadium

Vanadium is not traded in any significant volume on global commodity exchanges. MVPL previously had a marketing agreement for FeV in place. The contracted selling price was the prevailing market price subject to a fixed floor and ceiling price for 65% of annual FeV production from Windimurra.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Commodity Price Risk (Continued)

Vanadium linked gas transport contract

MVPL entered into a gas transport contract for the use of the Midwest Pipeline that contains a variable tariff linked to vanadium pentoxide (**V_2O_5**) price movements.

If the V_2O_5 price had moved as illustrated in the table below, with all other variables held constant, (loss)/profit after income tax and equity would have been affected as follows:

	(Loss)/profit after income tax		Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
+ 10% (2014: + 10%)	-	549	-	549
- 10% (2014: - 10%)	-	-	-	-

Reasonably possible movements for the prior period in the V_2O_5 price were determined based on observations of historical movements in the past two years.

The reasonably possible movement for the prior period was calculated by taking the V_2O_5 price at the acquisition date of MVPL, moving the V_2O_5 price by the reasonably possible movements, which resulted in new commodity tariff charges and then multiplying by the estimated gas usage over the remaining term of the contract, discounted to present value.

Iron ore

Iron ore sales are generally based on an international iron ore index. MVPL monitored market expectations for future commodity prices consistent with its risk management objectives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest Rate Risk

The Group's main interest rate risk arises from variable interest rate exposure on cash and fixed deposits. The Group's policy is to manage its exposure to interest rate risk by holding cash in short-term, fixed rate and variable rate deposits with reputable high credit quality financial institutions.

The following table summarises the financial assets and liabilities of Atlantic, together with effective interest rates as at the balance date.

	Floating interest rate $'000	Fixed Interest rate $'000	Non-interest bearing $'000	Total $'000	Floating %	Average interest rate fixed %
30 June 2015						
Financial assets						
Cash and cash equivalents	5,957	-	-	5,957	1.3%	3.10%
Trade and other receivables	-	-	96	96	-	3.0%
	5,957	-	96	6,053	-	-
Financial liabilities						
Trade and other payables	-	-	16,756	16,756	-	-
Bond liabilities	-	235,766	-	235,766	-	17.5% to 22.5%
Promissory Note	-	26,775	-	26,775	-	22.5%
	-	262,541	16,756	279,297	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest Rate Risk (Continued)

	Floating interest rate $'000	Fixed Interest rate $'000	Non-interest bearing $'000	Total $'000	Floating %	Average interest rate fixed %
30 June 2014						
Financial assets						
Cash and cash equivalents	8,075	-	-	8,075	1.5%	-
Trade and other receivables	-	791	17,179	17,970	-	3.0%
Financial asset	-	-	-	-	-	-
	8,075	791	17,179	26,045	-	-
Financial liabilities						
Trade and other payables	-	-	69,311	69,311	-	-
Bond liabilities	-	191,565	-	191,565	-	17.5% to 22.5%
Promissory Note	-	24,224	-	24,224	-	22.5%
Senior Secured Notes	-	357,005	-	357,005	-	11.5% to 13.25% (i)
Droxford Secured Loan	-	30,654	-	30,654	-	17.0%
Advance from sales agent	4,692	-	-	4,692	3.9% plus Libor	-
Financial derivative liability	-		-	-	-	-
	4,692	603,448	69,311	677,451	-	-

At 30 June 2015, if interest rates had moved as illustrated in the table below, with all other variables held constant, (loss)/profit after income tax and equity would have been affected as follows:

	(Loss)/profit after income tax		Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
+ 1%	15	34	15	34
- 1%	(15)	(34)	(15)	(34)

The movements in (loss)/profit after income tax are due to changes in interest rates on variable rate cash balances. Reasonably possible movements in interest rates were determined based on observations of historical movements in the past two years.

The net exposure at balance date is representative of what Atlantic was and is expecting to be exposed to in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign Currency Risk

During the year, the Group operated internationally and was exposed to foreign exchange risk primarily arising from currency exposures to the US dollar. As a result of the deconsolidation of AVHPL and MVPL on 11 February 2015, Atlantic is no longer exposed to these foreign exchange risks.

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. MVPL was exposed to foreign currency risk primarily through undertaking certain transactions denominated in US dollars and US dollar denominated Senior Secured Notes and cash. Foreign currency risks are monitored at Board level but there are currently no formal hedging policies in place.

At reporting date, Atlantic had the following exposure to US dollar foreign currency that is not designated in cash flow hedges:

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	-	13
Trade and other receivables	-	428
	-	441
Financial liabilities		
Trade and other payables	-	38,234
Promissory Note	-	-
Senior Secured Notes	-	357,005
Advance from sales agent	-	4,692
	-	399,931
Net exposure	-	(399,490)

At 30 June 2015, if the Australian dollar to US dollar exchange rate had moved as illustrated in the table below, with all other variables held constant, (loss)/profit after income tax and equity would have been affected as follows:

	(Loss)/profit after income tax		Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
+ 10%	-	37,632	-	37,632
- 10%	-	(37,632)	-	(37,632)

Reasonably possible movements in exchange rates in prior periods were determined based on observations of historical movements in the past two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign Currency Risk (Continued)

The reasonably possible movement in prior periods was calculated by taking the US dollar spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the US dollar into Australian dollar with the "new spot rate".

The net exposure at balance date is representative of what Atlantic was expecting to be exposed to in the next 12 months.

(f) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, restricted cash on deposits and trade and other receivables. The Group's exposure to credit risk arises from the potential default of a counterparty, with a maximum exposure equal to the carrying amount of the financial assets, as outlined in each applicable note.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its receivables. Receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

The credit quality of the Group's financial assets as at 30 June 2015 is as follows:

	Standard & Poor's rated					Internally rated	
	AAA $'000	AA $'000	A $'000	BAA $'000	BBB $'000	No default $'000	Total $'000
30 June 2015							
Cash and cash equivalents	-	5,957	-	-	-	-	5,957
Trade and other receivables	-	-	-	-	-	96	96
	-	5,957	-	-	-	96	6,053
30 June 2014							
Cash and cash equivalents	-	8,075	-	-	-	-	8,075
Trade and other receivables	16,395	799	-	-	-	776	17,970
	16,395	8,874	-	-	-	776	26,045

The equivalent Standard & Poor's rating of the financial assets represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

Internally rated no default customers are customers with whom the Group has traded and have no history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity Risk

The liquidity position of the Group is managed to try to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group's treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and appropriate liquidity levels.

Non-derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as of 30 June 2015. For the other obligations, the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity Risk (Continued)

Non-derivative financial liabilities (Continued)

	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
30 June 2015					
Financial liabilities					
Trade and other payables	16,756	-	-	-	16,756
Bond liability	241,992	-	-	-	241,992
Promissory Notes (i)	28,392	-	-	-	28,392
	287,140	-	-	-	287,140
30 June 2014					
Financial liabilities					
Trade and other payables	69,311	-	-	-	69,311
Bond liability	200,192	-	-	-	200,192
Promissory Notes (i)	24,224	-	-	-	24,224
Senior Secured Notes (i)	363,554	-	-	-	363,554
Droxford Secured Loan (i)	30,654	-	-	-	30,654
Insurance funding (i)	509	-	-	-	509
Advance from sales agent (i)	4,692	-	-	-	4,692
	693,136	-	-	-	693,136

(i) Represents gross cash outflow on the loans and borrowings (including interest payments).

(h) Equity Price Risk

Equity price risk arises from the embedded derivative associated with the Convertible Bonds. For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants (Level 2). These valuation techniques use both observable and unobservable market inputs. The fair value of any equity conversion option is derived on the Black-Scholes valuation technique.

The Company's share price has been deemed to be $nil as at 30 June 2015 (2014: $nil) and therefore any percentage change in the share price will have no impact to either the 2015 (loss)/profit after income tax or 2015 equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair Value

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2015:

	2015 Carrying amount $'000	2015 Fair value $'000	2014 Carrying amount $'000	2014 Fair value $'000
Financial assets:				
Receivables	96	96	17,970	17,970
Total current	96	96	17,970	17,970
Total	96	96	17,970	17,970
Financial liabilities:				
Payables	16,756	896	69,311	33,165
Loans and borrowings	262,541	5,267	608,649	203,800
Total current	279,297	6,163	677,960	236,965
Total	279,297	6,163	677,960	236,965

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.

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.

There have been no transfers between Level 1 and Level 2 as at 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair Value (Continued)

Class A and Class B Convertible Bonds embedded derivative

As at 30 June 2015, the value of the embedded derivative associated with the Class A and Class B Convertible Bonds is $nil. The fair value of the embedded derivative associated with the Convertible Bonds is valued using a Black-Scholes option pricing model that takes into account the expected exercise price, term of the Convertible Bonds, non-tradeable nature of the Convertible Bonds, the share price at issue date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the Convertible Bonds (refer note 15). This is then multiplied against the amount of securities that the Company would be required to issue.

The following methods have been used for the Group's valuation of derivatives.

Convertible Bonds derivative	Level 3

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants (Level 2). These valuation techniques use both observable and unobservable market inputs.

Financial Instruments

As at 30 June 2015, 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:				
Convertible Bond derivative (i)	-	-	-	-
Financial liabilities for which fair values are disclosed:				
Bond liability (ii)	-	-	5,257	5,257
Trade payables (iii)	-	-	906	906
Total	-	-	6,163	6,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair Value (Continued)

Financial Instruments (Continued)

(i) 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 the shares from trading on the ASX and the shareholders' deficit at 30 June 2015.

(ii) The fair value of $5.257 million (2014: $nil) has been estimated using inputs for the Bond liability that are based on the Group's current net asset position. The fair value estimate takes into account the total current assets of the Group of $6.332 million, and the current non-interest bearing of $0.750 million, and the unsecured return of the Bond liabilities.

(iii) Trade payables includes accrued interest for the Bond liabilities and Promissory Notes. The accrued interest has been determined based on (ii) above.

As at 30 June 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 contract (i)	-	-	-	-
Convertible Bond derivative (ii)	-	-	-	-
Financial liabilities for which fair values are disclosed:				
Senior Secured Notes (iii)	167,945	-	-	167,945
Bond liability (iv)	-	-	-	-
Trade payables (v)	-	33,165	-	33,165
Total	167,945	33,165	-	201,110

(i) The fair value of $nil has been estimated using inputs for the gas transport derivative that are not based on observable market data. The inputs that have a significant impact on fair value include forecast gas transport quantities and V_2O_5 price forecasts.

(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 the shares from trading on the ASX and the shareholders' deficit at 30 June 2014.

(iii) The fair value has been determined using a valuation technique based on the quoted market price of the Senior Secured Notes in an over-the-counter market. The quoted price of the Senior Secured Notes was $0.47 cents in the $1.00 with the discount representing the credit risk of the borrower.

(iv) The fair value of $nil has been estimated using inputs for the Bond liability that are not based on observable market data. The fair value estimate takes into account the total assets of the Group of $59.498 million, and the secured loans and borrowings of $387.659 million, and the unsecured return of the Bond liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair Value (Continued)

Financial Instruments (Continued)

(v) Trade payables includes accrued interest for both the Senior Secured Notes and the Bond liabilities. The Senior Secured Note interest has been determined based on (iii) above and the Bond liability based on (iv) above.

Valuation methods and assumptions

The fair value of the financial liabilities is the amount at which the liability could be transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The following methods and assumptions have been used to estimate fair value:

- Fair value of the Bond liabilities is derived based on an assessment of the recovery of the Group's assets in an insolvent scenario. The fair value estimate takes into account the total current assets of the Group of $6.332 million, and the current non-interest bearing debt of $0.750 million, and the unsecured return of the Bond liabilities.
- The fair value for the Bond liability accrued interest is based on the same methodology and assumptions as the Bond liability mentioned above.

26 CAPITAL AND OTHER COMMITMENTS

Capital Commitments

MVPL had entered into a number of contracts to secure long lead items as part of the beneficiation rebuild project. These commitments were de-recognised as part of the deconsolidation of the subsidiaries on 11 February 2015.

	2015 $'000	2014 $'000
Within one year	-	5,984
After one year but not more than five years	-	-
After more than five years	-	-
Total capital commitment	-	5,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL AND OTHER COMMITMENTS (CONTINUED)

Operating Lease Commitments

The Group has entered into a short-term commercial lease to rent office space. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals and rectification payable under the non-cancellable operating lease as at year end are as follows:

	2015 $'000	2014 $'000
Within one year	41	380
After one year but not more than five years	-	-
After more than five years	-	-
Total commitment	41	380

Gas Transportation Contract Commitments

MVPL had two long-term gas transport agreements to transport gas to the Windimurra vanadium project. These agreements include a tariff based on a fixed quantity of gas to be transported. This tariff is payable regardless of actual quantity of gas transported to the Windimurra vanadium project.

Future fixed gas transport commitments under the long-term agreements are as follows:

	2015 $'000	2014 $'000
Within one year	-	2,632
After one year but not more than five years	-	10,018
After more than five years	-	5,335
Total commitment	-	17,985

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Western Australian State Government. These obligations are subject to renegotiation when application to convert the exploration tenement to a mining lease is made and at other times. These obligations are not provided for in the financial report.

The approximate level of exploration expenditure expected in the year ending 30 June 2016 for the Group is $nil (2015: $0.116 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other than as disclosed elsewhere in this report, the Directors are not aware of any further contingent liabilities or contingent assets as at 30 June 2015.

28 AUDITORS' REMUNERATION

The auditor of the Company is Ernst & Young.

	2015 $	2014 $
Audit or review of the financial report of the entity and any other entity in the Consolidated Group	200,000	235,000
Research and Development Tax Incentive Program advice	451,000	518,031
Tax planning	142,381	141,669
	793,381	894,700

29 PARENT ENTITY DISCLOSURES

	2015 $'000	2014 $'000
Current assets	6,332	7,940
Non-current assets	-	-
Total assets	6,332	7,940
Current liabilities	279,464	234,282
Non-current liabilities	-	-
Total liabilities	279,464	234,282
Contributed equity	129,814	129,814
Reserves	(3,755)	(3,864)
Accumulated losses	(399,191)	(352,292)
Total shareholders' deficit	(273,132)	(226,342)
Loss for the year	(30,762)	(180,450)
Other comprehensive income	-	-
Total comprehensive loss for the year	(30,762)	(180,450)

The Company has no contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 EVENTS AFTER THE BALANCE SHEET DATE

In September 2015, Atlantic announced that it had reached agreement with Droxford for an extension to the existing forbearance agreement that was due to expire on 6 October 2015 until 6 April 2016.

Under the terms of the forbearance extension, Droxford agreed that it would forbear and not take any action to accelerate any of its Convertible Bond or Promissory Note debts until 6 April 2016, subject to certain conditions. These conditions include there being no further defaults by Atlantic under its finance documents and Atlantic's executives being made available at no cost to Droxford's other mining investments.

In October 2015, Mr Gary Lewis resigned as Non-Executive Chairman and a Director of the Company. He had been on the Board since March 2014.

Atlantic is continuing discussions with Droxford regarding a solvent restructuring of Atlantic's balance sheet. Further information on the proposed restructuring, that is expected to require shareholder approval, will be disclosed as soon as details are finalised.

In February 2016, Atlantic announced a proposal to re-acquire the Windimurra vanadium project with the support of its major shareholder and creditor Droxford.

The proposal involves a wholly-owned subsidiary of Atlantic acquiring the assets of the Windimurra vanadium project. The Receivers of AVHPL and MVPL will retain certain excluded assets for the benefit of secured creditors excluding Droxford. These excluded assets include MVPL's existing cash, future insurance claim proceeds due to MVPL, a proportion of MVPL's income tax refunds and finished vanadium inventory. The assets purchased will be free from any encumbrances and security.

The proposal will be implemented by way of a deed of company arrangement relating to AVHPL and MVPL and an asset sale deed. The proposal is subject to a number of conditions precedent including FIRB approval, consents required to transfer the mine properties and related approvals, AVHPL and MVPL creditor approval and the senior secured bond holders consenting to the release of their security save as to the excluded assets. The AVHPL and MVPL creditor approval was granted on 12 February 2016.

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 financial year ended 30 June 2015 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   b) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2015 and of its performance for the year ended on that date.

2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

3. Subject to note 2B, there are reasonable grounds to believe that Atlantic will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

On behalf of the Board

MR BRAD ELLIS
Non-Executive Director

Dated this 16th day of February 2016

INDEPENDENT AUDITOR'S REPORT

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Independent audit report to the members of Atlantic Ltd

Report on the financial report

We have audited the accompanying financial report of Atlantic Ltd, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2A, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independence

In conducting our audit 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.

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GB:EH:ATI:058

INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

As disclosed in Note 2(B) to the financial statements, on 11 February 2015, the directors of Atlantic Ltd's wholly owned subsidiaries, Midwest Vanadium Pty Ltd ("MVPL") and Atlantic Vanadium Holdings Pty Ltd ("AVHPL") resolved to place these entities into administration and on 12 February 2015 MVPL's Senior Secured Note Holders appointed a receiver and manager ("the receiver") of these entities. From 12 February 2015 the receivers assumed control of MVPL's and AVHPL's business, property and affairs. Books and records relating to MVPL and AVHPL were provided to the receiver and were not available to the directors or to the auditors.

As a result of not being able to access the books and records of MVPL and AVHPL, we were unable to obtain sufficient appropriate audit evidence to support the measurement of the amounts disclosed in the consolidated statement of comprehensive income, consolidated statement of cash flows and all of the notes applicable to these two statements. Consequently, we were unable to determine whether any adjustments to the amounts included in these statements or to the applicable notes to these statements were necessary.

For the year ended 30 June 2013, we issued a disclaimer of opinion on the financial report of the consolidated entity. The disclaimer was based upon, amongst other matters, an inability to obtain sufficient appropriate evidence to assess:

(i) the impairment assessment of the Windimurra project, and the resultant impairment charge of $69,737,000 for the year ended 30 June 2013 and the impaired carrying value of the Windimurra assets of $480,338,000 at 30 June 2013.

Since the 30 June 2013 carrying value of the Windimurra project enters into the determination of the impairment charge and the financial performance of the consolidated entity for the year ended 30 June 2014, our audit opinion on the 30 June 2014 financial report was qualified as we were unable to determine whether an adjustment might have been necessary in respect of the impairment charge and the loss reported in the statement of comprehensive income for the year ended 30 June 2014.

The 30 June 2014 statement of financial performance is included in the 30 June 2015 financial report for comparison.

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs above:

(a) the financial report of Atlantic Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2A.

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INDEPENDENT AUDITOR'S REPORT

Emphasis of matter

Without further qualification to our Qualified opinion, 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 may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Atlantic Ltd for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Gavin Buckingham
Partner
Perth
16 February 2016

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ASX SHAREHOLDER INFORMATION

Additional information as at 31 December 2015 required by the Australian Securities Exchange Listing Rules not shown elsewhere in this report is as follows:

1 DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary Share Capital

154,757,405 fully paid ordinary shares are held by 1,186 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Class B Performance Shares

The 66 Class B performance shares on issue at 30 June 2015 converted to 66 ordinary shares in accordance with the terms of the Class B performance shares on 4 August 2015. These ordinary shares are included in the above issued capital.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares
1 - 1,000	449
1,001 - 5,000	285
5,001 - 10,000	146
10,001 - 100,000	249
Over 100,000	57
	1,186

ASX SHAREHOLDER INFORMATION

2 SUBSTANTIAL SHAREHOLDERS

	Fully paid	
	Number	Percentage
Ordinary shareholders		
DROXFORD INTNL LTD	26,958,333	17.42%
MINOSORA MICHAEL JOHN	21,091,661	13.62%
PROSPEROUS GLOBAL ASSETS	13,496,214	8.72%
	61,546,208	39.76%

3 TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Fully paid	
	Number	Percentage
Ordinary shareholders		
DROXFORD INTNL LTD	26,958,333	17.42%
HSBC CUSTODY NOM AUST LTD	23,501,674	15.19%
JP MORGAN NOM AUST LTD	18,153,140	11.73%
MINOSORA MICHAEL JOHN	15,916,969	10.29%
PROSPEROUS GLOBAL ASSETS	13,496,214	8.72%
NATIONAL NOM LTD	7,845,069	5.07%
CITICORP NOM PL	6,575,630	4.25%
PLUS ADVANTAGE	6,200,000	4.01%
ATLANTIC INCENTIVE PLAN	4,960,000	3.21%
TRINITY MGNT PL	2,884,951	1.86%
AMBROSIA EMPIRE LTD	2,154,258	1.39%
ABN AMRO CLEARING SYDNEY	1,351,306	0.87%
HSBC CUSTODY NOM AUST LTD	1,294,263	0.84%
MINOSORA WENDY	1,214,692	0.78%
DWELLERS NOM PL	1,030,000	0.67%
PETERSON JASON & LISA	882,842	0.57%
HSBC CUSTODY NOM AUST LIM	868,158	0.56%
BNP PARIBAS NOMS PL	493,100	0.32%
ARDATH INV PL	480,000	0.31%
SAMSTEP HLDGS PL	445,000	0.29%
	136,705,599	88.35%