HALF YEAR REPORT

FOR THE SIX MONTHS ENDED
31 DECEMBER 2015

ATLANTIC LTD

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

REGISTERED & PRINCIPAL OFFICE

Level 11
Brookfield Place
125 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 6141 7100
Facsimile: +61 8 6141 7101

COMPANY SECRETARY

Tony Veitch

POSTAL ADDRESS

PO Box Z5431
St Georges Terrace
PERTH WA 6831

INDEPENDENT AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

HOME EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

Telephone: +61 8 9315 2333

www.securitytransfer.com.au/investor-centre.cfm

ASX CODE

ATI

DIRECTORS' REPORT

Your Directors submit the half year report of Atlantic Ltd (**Atlantic** or the **Company**) and its controlled entities (the **Consolidated Entity** or the **Group**) for the half year ended 31 December 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, resigned 19 October 2015

Mr Phiong Phillipus Darma – Non-Executive Director

Mr Bradley Ellis – Non-Executive Director

Dr Mike Daniel – Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

Atlantic Review

Atlantic has continued to focus on work to progress the Company's insurance claim and a restructure of the Company's balance sheet.

Insurance

During the period, Atlantic continued dialogue with the panel of insurers with a view to settling its insurance claim in relation to the major fire in the beneficiation plant at Windimurra on 4 February 2014.

Atlantic held a comprehensive industrial special risks insurance policy at the time of the fire in the beneficiation plant at Windimurra. Atlantic has received $23,950,000 in insurance proceeds under this policy that relates to payments for business interruption. Business interruption proceeds relate to the ongoing operating expenses Atlantic incurred during the period of the beneficiation plant rebuild.

Atlantic believes that further material amounts are due and payable to it under the policy. These amounts represent the business interruption proceeds still owing to Atlantic up until the date administrators were appointed on 11 February 2015.

Atlantic restructuring discussions

In October 2015, Atlantic entered into a further forbearance agreement with its largest shareholder and creditor Droxford International Limited (**Droxford**). Under the terms of the new forbearance agreement, the existing forbearance arrangements agreed in May 2015 were extended to 6 April 2016.

Under the forbearance arrangements, 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 April 2016, subject to certain conditions. These conditions

DIRECTORS' REPORT

include there being no further defaults by Atlantic under those finance documents and Atlantic's executives being made available at no cost to Droxford's other mining investments.

During the forbearance period, Atlantic will continue to work with Droxford to agree and implement a solvent restructuring of the Company. Atlantic expects that the forbearance arrangements with Droxford to be further extended beyond 6 April 2016 to allow the solvent restructuring to be implemented.

Deconsolidation of AVHPL and MVPL

As a result of the administration of Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**AVHPL**) and Midwest Vanadium Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**MVPL**), Atlantic deconsolidated these entities for reporting purposes from 12 February 2015. The Consolidated Statement of Comprehensive Income prior period balances in this interim report include balances for AVHPL and MVPL prior to deconsolidation.

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

Atlantic has downsized its staffing levels to reflect the lower ongoing operational requirements of the Company and the forbearance arrangements. As at the date of this report, Atlantic has five full time staff who, to a substantial degree, are engaged in activities related to Droxford's other mining investments, pursuant to Atlantic's forbearance arrangements described above.

EVENTS SUBSEQUENT TO BALANCE DATE

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.

DIRECTORS' REPORT

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.

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 7.

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

MR BRAD ELLIS
Non-Executive Director

Dated this 16th day of March 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 review of Atlantic Ltd for the half-year ended 31 December 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 review; and

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

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
16 March 2016

GB:EH:ATL:065

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	31 December 2015 $	31 December 2014 $
Revenue	3	-	5,239,400
Cost of sales	3	-	(5,162,338)
Gross loss		-	77,062
Selling and distribution expenses	3	-	(376,399)
Administrative expenses	3	-	(13,924,064)
Other net operating income/(expenses)	3	82,166	(24,424,325)
Corporate expenses	3	(1,641,410)	(7,905,316)
Impairment	3	-	(15,949,568)
Profit/(loss) before interest and tax		(1,559,244)	(62,502,610)
Finance expenses	3	(27,814,785)	(61,919,306)
Profit/(loss) before tax		(29,374,029)	(124,421,916)
Tax expense		-	-
Profit/(loss) after tax		(29,374,029)	(124,421,916)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period		(29,374,029)	(124,421,916)
		Cents	Cents
Basic and diluted profit/(loss) per share (cents)		(20.0)	(80.4)

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

AS AT 31 DECEMBER 2015

	Note	31 December 2015 $	30 June 2015 $
Assets			
Current assets			
Cash and cash equivalents	5	4,381,234	5,957,214
Trade and other receivables	6	127,450	95,122
Other current assets	7	155,589	279,381
Total current assets		4,664,273	6,331,717
Total assets		4,664,273	6,331,717
Liabilities			
Current liabilities			
Trade and other payables	8	20,817,350	16,755,699
Loans and borrowings	9	286,209,444	262,541,149
Provisions	10	144,598	167,959
Total current liabilities		307,171,392	279,464,807
Total liabilities		307,171,392	279,464,807
Net liabilities		(302,507,119)	(273,133,090)
Shareholders' deficit			
Contributed equity	11	129,814,133	129,814,133
Reserves		(3,918,100)	(3,918,100)
Accumulated losses		(428,403,152)	(399,029,123)
Total shareholders' deficit		(302,507,119)	(273,133,090)

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 HALF YEAR ENDED 31 DECEMBER 2015

	Ordinary shares $	Option reserve $	Shares reserved for Incentive Plan $	Accumulated losses $	Total $
Balance at 1 July 2015	129,814,133	-	(3,918,100)	(399,029,123)	(273,133,090)
Loss for the period	-	-	-	(29,374,029)	(29,374,029)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(29,374,029)	(29,374,029)
Balance at 31 December 2015	129,814,133	-	(3,918,100)	(428,403,152)	(302,507,119)

	Ordinary shares $	Option reserve $	Shares reserved for Incentive Plan $	Accumulated losses $	Total $
Balance at 1 July 2014	129,814,133	-	(3,864,276)	(790,966,843)	(665,016,986)
Loss for the period	-	-	-	(124,421,916)	(124,421,916)
Total comprehensive loss for the period	-	-	-	(124,421,916)	(124,421,916)
Transactions with owners in their capacity as owners:					
Share-based payments to employees	-	-	77,506	-	77,506
Balance at 31 December 2014	129,814,133	-	(3,786,770)	(915,388,759)	(789,361,396)

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 HALF YEAR ENDED 31 DECEMBER 2015

	Note	31 December 2015 $	31 December 2014 $
Cash flows from operating activities			
Receipts from customers		43,099	3,983,787
Payments to suppliers and employees		(1,690,135)	(26,744,250)
Interest received		71,056	-
Interest paid		-	(37,990)
Net cash flows used in operating activities		(1,575,980)	(22,798,453)
Cash flows from investing activities			
Release of restricted cash		-	374,960
Insurance claim proceeds		-	36,750,000
Purchase of property, plant and equipment		-	(15,081,212)
Interest received		-	100,010
Net cash flows from investing activities		-	22,143,758
Cash flows from financing activities			
Advances for product financing		-	600,909
Repayment of product financing		-	(3,432,907)
Net cash flows from financing activities		-	(2,831,998)
Net decrease in cash and cash equivalents		(1,575,980)	(3,486,693)
Cash and cash equivalents at beginning of the period		5,957,214	8,075,394
Net foreign exchange differences		-	1,784
Cash and cash equivalents at end of the period	5	4,381,234	4,590,485

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 HALF YEAR ENDED 31 DECEMBER 2015

1 CORPORATE INFORMATION

The consolidated financial report of Atlantic Ltd for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 15 March 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 consolidated financial report of the Company for the half year ended 31 December 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**).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation

The half year financial report is a general purpose condensed financial report that has been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting 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 half year financial report also complies with International Financial Reporting Standard 34 as issued by the International Accounting Standards Board.

The accounting policies adopted are consistent with those of the previous year. The adoption of AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* had no impact on the accounting policies of the Group.

B Going Concern

As at 31 December 2015, the Group has the following going concern indicators:

a. A working capital deficiency of $302,507,119 with cash on hand of $4,381,234;

b. A net asset deficiency of $302,507,119; and

c. The Group incurred a loss after tax of $29,374,029 for the half year ended 31 December 2015 and had cash outflows from operating activities of $1,575,980.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Going Concern (Continued)

In October 2015, Atlantic entered into a further 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 April 2016, subject to certain conditions including there being no further defaults by Atlantic under those finance documents.

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 $4,381,234 in available cash as at 31 December 2015;
- Atlantic has significantly reduced operating expenses 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 31 December 2015, Atlantic had $286,209,444 in due and payable facilities and $20,322,881 accrued interest due and payable 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE AND EXPENSES

	31 December 2015 $	31 December 2014 $
Revenue		
Ferrovanadium	-	4,489,684
Iron ore	-	749,716
	-	5,239,400
Cost of sales		
Ferrovanadium	-	(4,703,185)
Iron ore	-	(338,206)
Depreciation	-	(112,250)
Government royalties	-	(8,697)
	-	(5,162,338)
Selling and distribution expenses		
Selling and distribution costs	-	(376,399)
	-	(376,399)
Administrative expenses		
Care and maintenance post fire at beneficiation plant	-	(13,924,064)
	-	(13,924,064)
Other net operating income/(expenses)		
Foreign exchange gain/(loss)	-	(61,270,146)
Interest revenue	59,199	91,184
Other revenue	22,967	4,637
Insurance claim proceeds	-	36,750,000
	82,166	(24,424,325)
Corporate expenses		
Employee benefits expense	(913,176)	(2,016,317)
Other corporate costs	(728,234)	(5,888,999)
	(1,641,410)	(7,905,316)
Impairment		
Impairment of property, plant and equipment	-	(15,937,446)
Impairment of prepayments	-	(12,122)
Impairment of receivables	-	(15,949,568)
Finance expenses		
Interest expense – Senior Secured Notes	-	(35,001,256)
Interest expense – Droxford Secured Loan	-	(2,720,810)
Interest expenses – Class A, B, C, and D Convertible Bonds and Promissory Notes	(27,814,785)	(23,588,762)
Interest expense – other loans and borrowings	-	(20,808)
Unwinding of the discount on the rehabilitation provision	-	(587,670)
	(27,814,785)	(61,919,306)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 DIVIDENDS

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

5 CASH AND CASH EQUIVALENTS

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

	31 December 2015 $	30 June 2015 $
Current cash and cash equivalents		
Cash at bank and on hand	4,381,234	5,957,214

6 TRADE AND OTHER RECEIVABLES

	31 December 2015 $	30 June 2015 $
Current trade and other receivables		
Goods and Services Tax (**GST**) receivable	19,235	32,813
Restricted cash on deposit (i)	45,000	45,000
Sundry receivables	63,215	3,370,140
Provision for doubtful debts	-	(3,352,831)
	127,450	95,122

(i) 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.

7 OTHER CURRENT ASSETS

	31 December 2015 $	30 June 2015 $
Prepayments	150,139	279,381
Accrued interest receivable	5,450	-
	155,589	279,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 TRADE AND OTHER PAYABLES

	31 December 2015 $	30 June 2015 $
Trade payables	212,575	102,117
Interest payable – Promissory Notes	2,131,752	1,914,590
Interest payable – Bond liabilities	18,191,129	14,258,567
Other payables	281,894	480,425
	20,817,350	16,755,699

9 LOANS AND BORROWINGS

	31 December 2015 $	30 June 2015 $
Current loans and borrowings		
Promissory Notes (i)	29,811,855	26,774,919
Bond liability (ii)	256,397,589	235,766,230
	286,209,444	262,541,149

All loans and borrowings are disclosed as current in the current and prior period 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 April 2016, being the termination date of the forbearance arrangements with Droxford in place at 31 December 2015.

(i) Promissory Notes

There are unsecured Promissory Notes issued to Droxford for a total face value of $20,000,000. 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 31 December 2015, the Promissory Notes were subject to the forbearance arrangements with Droxford that extends the maturity date to 6 April 2016.

(ii) Bond liability

<u>Reconciliation of movement</u>

	31 December 2015 $
Balance 1 July 2015	235,766,230
Capitalise interest payable	20,631,359
Balance 31 December 2015	256,397,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONTINUED)

(ii) Bond liability (Continued)

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 short-term nature of the forbearance arrangements.

	30 June 2015 $
Balance 1 July 2014	191,565,193
Capitalise interest payable	44,201,037
Balance 30 June 2015	235,766,230

The conversion option for Class C and D Bonds is no longer available as shareholder approval was not obtained. Therefore, there has been no financial derivative recognised for Class C and D Bonds at 31 December 2015 (2014: $nil). The conversion option is available for the Class A and B Bonds however, 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).

As at 31 December 2015, the assumed maturity date of all Bonds is 6 April 2016, being the expiry date of the current forbearance arrangements. 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.

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

	31 December 2015 $	30 June 2015 $
Class A Convertible Bond	49,097,522	48,163,139
Class B Convertible Bond	90,735,600	82,891,709
Class C Bond	76,363,719	68,589,101
Class D Bond	40,200,748	36,122,281
	256,397,589	235,766,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PROVISIONS

	31 December 2015 $	30 June 2015 $
Current provisions		
Annual leave	144,598	167,959
	144,598	167,959

11 EQUITY

	31 December 2015 No. Shares	31 December 2015 $
Ordinary shares		
Movements in ordinary shares on issue		
Opening balance at 1 July 2015	154,757,339	129,814,133
Issue of shares	66	-
At 31 December 2015	154,757,405	129,814,133

	No. Shares	$
Performance shares		
Opening balance at 1 July 2015	66	-
Conversion of performance shares into ordinary shares	(66)	-
At 31 December 2015	-	-

	31 December 2014 No. Shares	31 December 2014 $
Ordinary shares		
Movements in ordinary shares on issue		
Opening balance at 1 July 2014	154,757,339	129,814,133
Issue of shares	-	-
At 31 December 2014	154,757,339	129,814,133

	No. Shares	$
Performance shares		
At 1 July 2014	66	-
At 31 December 2014	66	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2015:

	Liabilities/loans and receivables $	Fair value through profit and loss $	Fair value through other comprehensive income $
Financial assets:			
Receivables	127,450	-	-
Total current	127,450	-	-
Total	127,450	-	-
Financial liabilities:			
Payables	20,817,350	-	-
Loans and borrowings	286,209,444	-	-
Total current	307,026,794	-	-
Total	306,899,344	-	-

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2015:

	Carrying amount $	Fair value $
Financial assets:		
Receivables	127,450	127,450
Total current	127,450	127,450
Total	127,450	127,450
Financial liabilities:		
Payables	20,817,350	762,098
Loans and borrowings	286,209,444	3,757,578
Total current	307,026,794	4,519,676
Total	306,899,344	4,392,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS (CONTINUED)

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 during the period.

As at 31 December 2015, the Group held the following financial instruments measured at fair value:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities measured at fair value:				
Convertible Bond derivative (i)	-	-	-	-
Financial liabilities for which fair values are disclosed:				
Bond liability (ii)	-	-	3,757,578	3,757,578
Trade payables (iii)	-	-	762,098	762,098
Total	-	-	4,519,676	4,519,676

(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 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS (CONTINUED)

(ii) The fair value of $3,757,578 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 $4,664,273, the current non-interest bearing payables of $492,469 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.

13 OPERATING SEGMENTS

Atlantic has assessed its operating segments for the period ended 31 December 2015 and has identified one operating segment being Atlantic corporate. 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.

14 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other than described elsewhere in the Directors' Report and half year financial report, the Directors are not aware of any further contingent liabilities or contingent assets as at 31 December 2015.

15 EVENTS AFTER THE BALANCE SHEET DATE

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 Atlantic Vanadium Holdings Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**AVHPL**) and Midwest Vanadium Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (**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 half year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:

    a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and

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

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

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

On behalf of the Board

MR BRAD ELLIS
Non-Executive Director

Dated this 16th day of March 2016

INDEPENDENT REVIEW REPORT

Building a better working world

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

To the members of Atlantic Ltd

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Atlantic Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlantic Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

GB:EH:ATI:064

INDEPENDENT REVIEW REPORT

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlantic Ltd is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date

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

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2B in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 March 2016

GB:EH:ATI:064