ANNUAL REPORT 2012

ATLANTIC LTD

CORPORATE INFORMATION

DIRECTORS

Michael Minosora
(Chairman & Managing Director)

Tony Veitch
(Executive Director)

Phiong Phillipus Darma
(Non-Executive Director)

COMPANY SECRETARY

Tony Veitch

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BUILDING A WORLD CLASS RESOURCES GROUP

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CHAIRMAN & MANAGING DIRECTOR'S REPORT

Dear Shareholders

On behalf of the Board of Atlantic Ltd, I am pleased to present this Annual Report for the year ended 30 June 2012.

Atlantic has breathed new life into the Windimurra vanadium mine and plant in the last year.

Our employees have shown unwavering commitment to making the Windimurra project a success, and their efforts are now paying off as Windimurra ramps up production.

Against the backdrop of a positive vanadium outlook globally, we are now poised to join the major producers in the industry.

Construction and commissioning was completed at Atlantic's wholly-owned vanadium operation during the year, leading to first ferrovanadium production. During the year, we made our first shipment of ferrovanadium to the international market and at the time of this report we are undergoing regular product shipments and ramping-up production capacity.

The major hurdle we overcame this year was engineering, constructing, and operating a solution to deficiencies in the original crushing, milling and beneficiation circuit (CMB) design.

The CMB modifications will enable us to achieve ramp-up and achieve our goal of being a reliable, low cost producer of ferrovanadium. These modifications are discussed in more detail later in this report.

Importantly, Windimurra is in a significantly stronger position today than it was at the time of our last Annual Report. We are fortunate that the Windimurra ramp-up is delivering into a favourable demand environment. Vanadium prices have outperformed most other metal and mineral commodities over the past 12 months. In addition we are able to capture the current favourable pricing environment in North America under the free trade agreement between Australia and the United States.

Moving forward the vanadium supply dynamic is being very much influenced by developments in China, South Africa and Russia. This vanadium production is being directly adversely affected by increasing cost pressures which has already seen a material decline in vanadium production. This supply back drop is in contrast to the ongoing growth of the vanadium consuming high strength steel sub-sector.

This presents an opportunity for increased demand for Windimurra's ferrovanadium. Combined with the strong demand growth forecast over the next five years, Windimurra is in a strong position to take advantage of the burgeoning vanadium market.

In line with Atlantic's growth strategy, the early stage Vietnam 'mine-rail-port' bauxite project progressed steadily this year.

I would like to thank our stakeholders for their continued commitment, in particular Droxford for their steadfast financial support as the project undergoes ramp-up, and every member of our team for their efforts in the past year.

Our vision is to build a world class resources portfolio and our success in achieving our vision will be driven by the talent and dedication of our staff across the Group.

During the year, Atlantic continued to look at acquisition opportunities. A small number of opportunities were assessed in detail however did not pass the Company's rigorous due diligence.

PEOPLE

Over the last year, the Atlantic team has grown significantly in line with the Windimurra plant's ramp-up.

A number of key appointments were made in the period extending through to after the end of the financial year. Recruiting efforts led to key appointments across the operations, financial, legal, and marketing departments, also adding strength to Atlantic's Leadership Team.

SAFETY

Safety remains the priority across Atlantic's business and this was demonstrated during the year with a very good safety record at Windimurra.

This record gives us confidence in our people leading the project to deliver the full potential of our Windimurra vanadium business and a continued focus on developing a world class resources group.

During the year Atlantic held a staff photo competition.
This photo of Windimurra ferrovanadium from the first shipment, taken by Larry Fawell, was voted the winner by staff.

WINDIMURRA VANADIUM PROJECT

Production and Sale of Ferrovanadium

Following construction and commissioning completion in late 2011, and first ferrovanadium production in January 2012, the Windimurra project achieved the first shipment of ferrovanadium in May 2012.

The Windimurra ferrovanadium brand has been well received in the market to date and enquiries from customers around the world have been very encouraging.

The Atlantic operations team is now focussed on increasing continuous production as Windimurra moves towards full production capacity.

CMB MODIFICATIONS

Subsequent to transitioning the Windimurra project to operation from commissioning, a number of deficiencies in the front end of the original vanadium processing plant design were identified. These deficiencies severely limited vanadium production rates and so the team sought to engineer solutions.

During the year, a number of modifications were undertaken to overcome these deficiencies.

The modification work made changes to the crushing, milling, and beneficiation (CMB) circuit and included a new repulper, two new screens to separate fine ore from coarse ore, improved process flow work, and the refurbishment and reinstallation of a number of magnetic separators.

Shortly after year end, the modification works were tied-in to the overall process flow at Windimurra. Atlantic has seen a significant improvement in the stability of downstream operations in the CMB circuit as a result of installing the new repulper and screening plant.

Reserves and Resources

The Windimurra tenements cover a 27 kilometre strike length of the vanadiferous magnetite Shepherd's Discordant Zone. Of this strike approximately six kilometres, inclusive of the existing pit, has been drill tested and included within the existing resource estimate at Windimurra.

During the year, the Windimurra deposit's JORC-compliant global Mineral Resource was increased by 33 million tonnes to 243 million tonnes at 0.48% V_2O_5, a 16% increase on the previous global Mineral Resource.

The grade of the global Mineral Resource also increased to 0.48% V_2O_5 from 0.47% V_2O_5 across the larger resource tonnage, with a significant increase in average grade to 0.50% V_2O_5 in the southern mine area of the deposit.

Following the Resource upgrade, Atlantic announced a 25% increase in the JORC-compliant Ore Reserve estimate for Windimurra to 160 million tonnes at 0.47% V_2O_5 shortly after year end.

As a result of the Ore Reserve increase, the potential mine life of Windimurra was extended to in excess of 28 years.

Before

After

Mineral Resources Statement

	February 2011				April 2012			
	Tonnes (Mt)*	V_2O_5%	Tonnes (V)	Grade V%	Tonnes (Mt)	V_2O_5 %	Tonnes (V)	Grade V%
Measured	49.9	0.46	124,700	0.25	49.7	0.48	132,500	0.27
Indicated	100.3	0.47	260,700	0.26	142.1	0.49	390,100	0.27
Inferred	59.8	0.48	161,400	0.27	50.8	0.46	130,000	0.25
TOTAL	210.0	0.47	546,800	0.26	242.6	0.48	652,600	0.27

* (Grades reported to a lower cut-off of 0.275% V_20_5)

These Mineral Resources are inclusive of the Ore Reserves stated below.

Ore Reserves Statement

	May 2011				July 2012			
	Tonnes (Mt)**	V_2O_5%	Tonnes (V)	Grade V%	Tonnes (Mt)***	V_2O_5%	Tonnes (V)	Grade V%
Proven	49.3	0.46	128,200	0.26	41.8	0.46	107,300	0.23
Probable	78.3	0.47	206,000	0.26	118.1	0.47	313,800	0.27
TOTAL	127.6	0.47	334,200	0.26	159.9	0.47	421,100	0.26

** (Grades reported to a lower cut-off of 0.275% V_20_5)
*** (Grades reported to a lower cut-off of 0.34% V_20_5 oxide, 0.32% V_20_5 transitional, 0.27% V_20_5 fresh)

(Please note the tabulations have been rounded to the nearest 100,000 tonnes and nearest 100 tonnes contained vanadium, resulting in summation rounding)

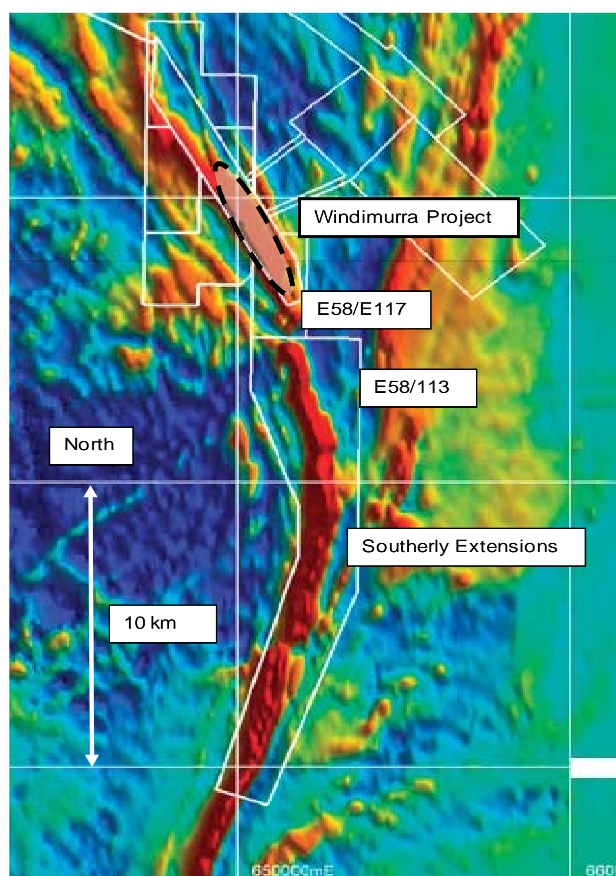
The Ore Reserves occur within a planned open pit design resulting in a waste to ore stripping ratio of 0.8:1 (tonnes).

See competent person statements at the end of the Chairman & Managing Director's Report.

Exploration

During the year further exploration confirmed the potential for reserve replenishment throughout Windimurra's southern tenements. In light of an already substantial reserve base, the exploration focus changed this year to identifying viable near surface high grade iron and/or vanadium bearing resources.

A program of detailed surface mapping of the southern tenements commenced in 2012 and has successfully identified enriched magnetite beds that outcrop with an average width of 15 metres and length of over 500 metres.



Mining

The revised life of mine plan developed last year came in to effect in 2012, with progress made towards deepening the mine to an ultimate target depth of 150 metres.

The life of mine plan provides for the mining of oxidised, transitional and fresh magnetite-rich ore, with transitional and fresh ores to be bench mined for grade control.

Under the new life of mine plan, mining commenced in the central pit and moved to the north part of the ore body. Mining will then move in to the southern part of the ore body in due course.

The photo below shows the Windimurra northern cutback exposing high grade vanadiferous ore packets.

Blending

The mineralisation of the ore body at Windimurra is split into bands of softer, less magnetised oxide ore at the surface, a band of transitional ore below the oxide zone and finally at depth, a band of fresh ore which is more magnetically susceptible.

Ore is blended on the run of mine (ROM) stockpile from separate stockpiles of ore, segregated on the basis of the degree of oxidation. Blending is undertaken to deliver an improved level of recovery in the processing plant relative to mining costs.

The photograph below illustrates the deeper pit design showing the three ore horizons – oxidized ore on the first layer, slightly darker transitional ore below and the newly exposed darker fresh ore at the bottom of the pit.

The photograph below shows the three ore types on the ROM pad in preparation for primary crushing.

Processing

The production of ferrovanadium from vanadiferous magnetite involves:

- Production of a magnetite concentrate via crushing, screening, grinding and magnetic separation (the photograph below shows crushed ore moving through the secondary and tertiary crushers);

- During the crushing stage, material is separated using two large screens installed this year as part of the modification works which now redirect fine ore from the crushing component direct to the beneficiation component, bypassing the milling component. The addition of this screening plant leads to improved throughput in the mill (the first photograph below shows ore being run through the new screening plant);

The photograph below shows crushed ore, with the fine material screened out, being stockpiled ready to enter the milling component of the CMB.

- Magnetic separation involves passing milled and fines produced ore through a series of magnetic separators to produce a magnetite concentrate.
- Roasting of the magnetite concentrate with soda ash (a source of carbon dioxide and sodium) in a rotary kiln (the photograph below shows the 102 metre long, 4.75 metre diameter rotary gas-fired kiln installed at Windimurra, the largest of its kind in the southern hemisphere);

- Leaching of the roasted ore with water (the photograph below shows the leach vats operating);

- Desilication of the pregnant solution using sulphuric acid and aluminium sulphate;
- Precipitation of ammonium metavanadate using ammonium sulphate; and
- Reduction of ammonium metavanadate to vanadium trioxide (V_2O_3) and then to ferrovanadium (the photograph below shows the electric arc furnace pouring Windimurra ferrovanadium).

Vanadium Demand

The majority of vanadium demand globally in 2011 came from the steel industry, with titanium and chemical applications accounting for four per cent and three per cent of global demand respectively.

Atlantic remains encouraged by the price outlook for vanadium in the long term as steel production and demand continues to grow and the intensity of use of vanadium in steel making increases in key emerging market economies. A further demand driver is the continued substitution of low strength steels for high strength steels.

During the past year, vanadium prices have substantially outperformed other steel inputs including coking coal and iron ore.

Strong customer interest has been received from the global vanadium market for Windimurra ferrovanadium. Atlantic has also received strong market interest in vanadium pentoxide (V_2O_5) and vanadium trioxide (V_2O_3) production and the Company will examine those premium market opportunities once production is stabilised at Windimurra.

Iron Ore

The production of ferrovanadium also produces a haematite fines by-product that, once removed from the leach vats, is deposited in the iron ore storage area. This iron ore fines material is a marketable product and Atlantic has made significant progress to establish an iron ore business alongside the vanadium business.

CHAIRMAN & MANAGING DIRECTOR'S REPORT

Project Development

Windimurra's iron ore fines possess a high titanium grade, presenting the opportunity to separate the product into separate high grade iron and titanium products.

During the year, testing was undertaken to establish the optimal process flow sheet for the separation of iron and titanium dioxide from the ore.

Atlantic, in conjunction with the Changsha Research Institute of Mining and Metallurgy in China, undertook laboratory and process scale testing on Windimurra iron ore fines and magnetite concentrate.

Following successful results from laboratory testing, the process scale results received at the end of July confirmed that iron fines separation is a viable business opportunity for Atlantic.

Further testing and process flow consideration is underway to establish the appropriate next steps.

Next Steps

The Windimurra operation is, at the date of this report, ramping-up production.

As Windimurra approaches full production capacity, the Group can begin to more closely consider growth opportunities both at Windimurra and elsewhere in line with the Group's strategy.

The business development team continued to evaluate potential new projects during the year, in accordance the Company's strict acquisition and investment criteria.

VIETNAM BAUXITE PROJECTS

In September 2011, Atlantic signed an agreement with Vietnam's Institute of Mining Science and Metallurgy (Vimluki) to prepare a development study for a bauxite mining operation in the Vietnam Central Highlands.

Atlantic proposes a large-scale bauxite mining operation and a third party access heavy haul rail line, which will transport mined and beneficiated bauxite from the Central Highlands to the coast where bulk port infrastructure will be built.

Vietnam's Central Highlands are believed to host the world's third largest bauxite deposits. A key characteristic of the bauxites in the Central Highlands is that they are amenable to upgrading by simple washing and screening to recover an alumina-rich, silica-depleted concentrate suitable for export or for refining.

MICHAEL MINOSORA
Chairman & Managing Director

COMPETENT PERSON STATEMENT

Ore Reserves

The information in this announcement that relates to Ore Reserves is based on information compiled by Quinton de Klerk who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr de Klerk is a Director and Principal of Cube Consulting Pty Ltd.

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

Mineral Resources

The information in this report that relates to exploration activities and mineral resources is based on information compiled by Colin Arthur, who is a Chartered Geologist, Member of The Australasian Institute of Mining and Metallurgy and Fellow of the Geology Society of London. Colin Arthur was, until 20 September 2012, a full-time employee of Midwest Vanadium Pty Ltd, (a wholly-owned subsidiary of Atlantic Ltd) in the capacity of Chief Geologist. Colin Arthur has over twenty years experience in this style of mineralization and the type of deposit under consideration and related mining method and project evaluation. He has sufficient experience which is relevant to the style of mineralization and to the activity which he is undertaking. He is therefore qualified as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

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 ("the Group"), for the year ended 30 June 2012.

DIRECTORS

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

Mr Michael Minosora
Executive Chairman and Managing Director
Appointed 25 September 2009
BBus, MBA, FCA

Mr Minosora is a fellow of the Institute of Chartered Accountants in Australia who has over 20 years' experience in the corporate advisory arena, advising on significant corporate transactions both in Australia and South East Asia. Mr Minosora was previously Chief Financial Officer of Fortescue Metals Group, Managing Director with Azure Capital and Managing Partner of Ernst & Young in Western Australia.

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

Alloy Steel International Inc

Special duties

Chairman of Audit Committee and
Remuneration Committee.

Mr Tony Veitch
Executive Director
Appointed 4 July 2007
BCom, MBA

Mr Veitch has a Bachelor of Commerce degree and a Master of Business Administration. Mr Veitch previously acted as a consultant to a wide range of private and public companies. Prior to that, Mr Veitch was the Manager of Corporate Projects for the London Stock Exchange and worked with the Australian Securities Exchange.

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

Baraka Energy & Resources Limited

Special duties

Member of Audit Committee and
Remuneration Committee.

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 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.

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

Gallant Venture Ltd (current directorship); and
PT Indosiar Karya Media Tbk

Special duties

Member of Audit Committee and
Remuneration Committee.

Mr Ian McMaster AM
Non-Executive Chairman
Appointed 12 April 2010, resigned 28 February 2012

Mr Alan Mulgrew
Non-Executive Director
Appointed 12 April 2010, resigned 6 March 2012

Mr Jay Wacher
Non-Executive Director
Appointed 12 April 2010, resigned 6 March 2012

COMPANY SECRETARY

Tony Veitch
Company Secretary
Appointed 2 February 2012

Richard Maltman
Company Secretary
Appointed 8 June 2011, resigned 2 February 2012

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY

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

Directors	Shares	Unlisted Options	Class B Performance Shares
Michael Minosora	* 21,091,661	-	8
Tony Veitch	** 1,480,000	-	-
Phiong Phillipus Darma	-	-	-

* 3,960,000 shares have been issued to Mr Minosora pursuant to the Company's Share Incentive Plan, whereby the shares are secured by a limited recourse loan by the Company to Mr Minosora. Furthermore, the shares had vesting conditions and may only be sold should the Company's shares trade at greater than A$1.25 for a 10 day period. As at 30 June 2012, all the shares are fully vested to Mr Minosora.

** 1,000,000 shares have been issued to Mr Veitch pursuant to the Company's Share Incentive Plan, whereby the shares are secured by a limited recourse loan by the Company to Mr Veitch. Furthermore, the shares had vesting conditions and may only be sold should the Company's shares trade at greater than A$1.875 for a 10 day period. As at 30 June 2012, all the shares are fully vested to Mr Veitch.

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group during the year were the acquisition, development and operation of mineral resource projects.

DIVIDENDS

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

REVIEW AND RESULTS OF OPERATIONS

Highlights

- Construction and commissioning completed at the Windimurra vanadium project;
- First production and shipment of ferrovanadium from Windimurra;
- Windimurra JORC-compliant ore reserve increased by 25% to 159.9 million tonnes and mine life extended;
- Windimurra JORC-compliant mineral resource increased by 16% to 242.6 million tonnes;
- Progress made on Group development activities, including an integrated mine-rail-port project in Vietnam;
- Significant modification works completed on the crushing, milling and beneficiation circuit, subsequent to year end; and
- Additional funding secured to support Windimurra ramp-up.

The Group recorded a net loss after tax for the year of A$18.803m (2011: net profit of A$12.300m).

Windimurra vanadium project

During the financial year, Atlantic brought the Windimurra vanadium project ("Windimurra" or the "Project") commenced production and sales of ferrovanadium product into the international market place.

Construction crews were demobilised from site and official handover of Windimurra to the operations team of Atlantic's wholly-owned subsidiary Midwest Vanadium Pty Ltd ("MVPL") took place in December 2011.

Project managers Projects in Control Pty Ltd ("PinC") and representatives from the MVPL management team officially signed over the Windimurra plant, giving the Group full responsibility and marking the transition from construction to commissioning.

Following the transition to operations, the Group identified design deficiencies in the crushing, milling and beneficiation ("CMB") circuit and sought to engineer solutions.

Primero Group contractors were subsequently engaged to undertake modifications to the CMB circuit in the front end of the vanadium plant. These works were completed subsequent to year end within the budgeted cost of A$14.000 million.

In the first stage, a new repulper was installed as a key modification that enhances the Windimurra plant's ability to move milled ore efficiently and with improved stability from the milling component to the beneficiation component within the CMB circuit.

The second major stage saw the construction of a screening plant comprising two large screens to separate and redirect fine ore from the crushing component directly to the beneficiation component within the CMB circuit, bypassing the milling component. This fine ore is later re-introduced into the materials process flow at the beneficiation component of the CMB circuit.

Atlantic's management is confident that the modification work will result in a significant uplift of crushed ore feed to the beneficiation component of the CMB plant and improve stability of CMB plant operations as Windimurra ramps up production.

The vanadium plant operated at low levels of ferrovanadium production in parallel with the modification work which was completed shortly after year end and handed over to the operations team for commissioning.

During the year, open pit mining specialist Minepower continued civil works including tailings facilities and civil infrastructure work at Windimurra.

Mining focused on the northern cutback of the existing open pit producing oxide ore feeds.

Transitional and fresh ore types were generated from the base of the existing Hawkstone pit after the mining team deepened the pit to expose the fresh ore. Fresh ore is the deepest of the three ore horizons (oxide, transitional, fresh) and provides the highest vanadium recoveries.

Safety

The Company continued its good safety record during the year and is committed to improving the safety practices of all personnel on site at Windimurra, including contractors.

The Company is committed to world class safety practices, be that at Windimurra or in the Perth office. It is the top priority for all employees, contractors, and visitors on site. Safety is also our number one value throughout Atlantic, and the commitment an employee shows to safe work practices forms an integral part of annual performance reviews.

Production

Subsequent to completing construction and commissioning at Windimurra, the Group achieved first ferrovanadium production during the year.

The first shipments of ferrovanadium during the year were sampled and independently tested by SGS, confirming the product met key product specifications and grade and was suitable for sale into the international market.

This was the first of regular shipments under Atlantic's long-term vanadium off-take agreement with Wengfu (Group) Co Ltd ("Wengfu") and Element Commodities Ltd ("Element").

The Group is now focussed on continuous shipments of ferrovanadium and the ramp-up to full plant production.

Operations Team

The Company steadily added to its operations team during the year. Additional resources are continuing to be added to support ramp-up.

Marketing - Vanadium

During the year, the Group continued to work with its sales and marketing partners Wengfu and Element to sell Windimurra ferrovanadium into the international market.

Under the terms of the off-take agreement with Wengfu and Element, payment for the majority of the ferrovanadium at market value is received after delivery to the warehouse in Perth, with the balance received once the product is sold in the international market.

The agreement provides for the sale of 100% of Windimurra's ferrovanadium production to Wengfu at market prices, subject to price protection with a minimum and maximum sales price (collar mechanism) for up to 65% of Windimurra's annual ferrovanadium production. Sales revenue is recognised when all risks and rewards are transferred to the customer.

In the short term, the Group is focussing on selling vanadium into the North American spot market to take advantage of the significant price premium over the European market, and Australia's free trade agreement with the United States.

Atlantic also held advanced discussions with a number of major steel groups who are keen to secure contracted supply of Windimurra vanadium.

Iron Ore

Negotiations with customers regarding contract terms for a first shipment of Windimurra iron ore continued during the year. However softening iron ore prices, the strong Australian dollar and the Group's continued focus on reducing the logistics cost to ship the product meant that no iron ore was shipped during the year.

The Group has received bids from a number of customers but is not willing to commit to any contracts until such time as it can achieve profitable sales at the lowest possible cost logistics solution to ensure long term profitability from the sale of iron ore.

The Group continues to monitor iron ore prices and the Australian-United States dollar exchange rate.

Vanadium Reserve and Resource Revised Upwards

Atlantic announced a 25% increase in the JORC-compliant ore reserve estimate for Windimurra to 159.9 million tonnes at 0.47% V_2O_5 shortly after year-end.

This followed an infill drilling programme in the southern sector of the deposit which led to a 16% increase in Windimurra's global Mineral Resource by 33 million tonnes to 242.6 million tonnes at 0.48% V_2O_5.

As a result of the new Ore Reserve increase, the potential mine life of Windimurra was extended to 35 years from 28 years previously.

The Ore Reserves occur within a planned open pit design resulting in a waste to ore stripping ratio of 0.8:1 (tonnes).

Project Development

During the year, the Group engaged Changsha Research Institute of Mining and Metallurgy in China to establish the optimal process flow sheet for the separation of iron and titanium dioxide from the Group's iron ore. This will allow Windimurra to potentially produce a high grade iron (Fe)

powder as well as a titanium dioxide (TiO_2) concentrate from its iron ore, in addition to its high purity vanadium products.

Laboratory testing returned positive results for this separation process during the year. The laboratory testing was then followed by process scale testing, which again showed positive preliminary results.

In addition, Atlantic continued to evaluate opportunities to unlock further value from its Windimurra vanadium plant.

This work demonstrated that it is possible for the Company to widen its vanadium product offering leveraging the existing infrastructure at Windimurra to include:

- Vanadium trioxide (V_2O_3) – requiring minor capital and regulatory approvals; and
- Vanadium pentoxide (V_2O_5) – requiring moderate capital investment.

These growth initiatives will be developed further once the Windimurra plant ramp-up is accomplished.

Vietnam

Progress was made with relevant parties in Vietnam on the Group's proposed integrated bauxite mine-rail-port project during the year.

The Group signed an agreement with Vietnam's Institute of Mining Science & Metallurgy ("Vimluki") to prepare a development study for a bauxite mining operation in the Central Highlands of Vietnam.

Atlantic completed the study in draft form and this was provided to Vimluki during the year. Towards the end of the year, Vimluki added further contributions to the report ahead of it being circulated more widely within the Vietnam Government.

Once considered and approved by the Vietnam Government, the development study is expected to lead to a full feasibility study for the development of an integrated long-term 'mine-rail-port' bauxite supply chain project in the Central Highlands of Vietnam, which hosts one of the world's most significant and undeveloped bauxite resources.

Atlantic proposes a large-scale bauxite mining operation and a third party access heavy haul rail line, which will transport mined and beneficiated bauxite from the Central Highlands to the coast where bulk port infrastructure will be built.

Key Appointments

Up to the date of this report, Atlantic made the following appointments within its senior management team.

Ross Glossop was appointed to the role of Chief Financial Officer in July 2011. Mr Glossop has 30 years experience in the mining and resources sectors. Mr Glossop served as Regional CFO (Australia/Africa) for Barrick Gold Corporation from 1993-2006 and has held CFO positions with Bellzone Mining Plc, Oceana Gold Corporation and Apex Minerals NL.

Scott Mathewson was appointed as General Manager Operations in November 2011. Mr Mathewson most recently worked at Rio Tinto for six years, the last three as Manager Operations for Dampier Salt Ltd based in Port Hedland. Previously he has held managerial positions in the operational divisions of Rio Tinto and Alcoa Australia.

John Gardener was appointed as General Manager Sales and Marketing in January 2012. Mr Gardener was previously Business Development Manager for Sinosteel and Sales and Marketing Manager for Rio Tinto (Iron Ore). Mr Gardener is responsible for sales and marketing across both vanadium and iron ore product groups.

Terry Perles was appointed as President, North America in May 2012. Mr Perles brings more than 35 years of vanadium industry experience to Atlantic. Previously he was VP Sales and Marketing at Stratcor, as well as a consultant to vanadium producers and consumers. Mr Perles has also been a consultant to the Vanadium International Technical Committee (VANITEC).

Peter Patterson was appointed as General Counsel in September 2012. Mr Patterson has extensive experience working in ASX listed companies spanning almost 25 years, with a strong emphasis on commercial legal matters.

LIKELY DEVELOPMENTS

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

(i) Continued ramp-up of Windimurra to full plant production capacity;
(ii) Continued shipments of Windimurra ferrovanadium;
(iii) Continued progression of the mine-rail-port project in Vietnam; and
(iv) The Group will continue to pursue its strategy of building a portfolio of resource projects through direct acquisition or investments in other resource based companies, subject to the Group's stringent investment and acquisition guidelines.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities of Australia. These licences, Acts and Regulations specify limits and regulate the management of discharges to the air, surface waters and groundwater associated with the mining operations as well as the storage and use of hazardous materials.

The Group is registered under the *National Greenhouse and Energy Reporting Act*, under which it is required to report energy consumption and greenhouse gas emissions for the Windimurra vanadium project for the 12 months ended 30 June and future periods. The Group has data collection systems and processes in place to meet these requirements.

In addition, the Group's Windimurra vanadium project will be required to comply with the Australian Federal Government's Carbon Pollution Reduction Scheme which has been enacted as at the date of this report, commencing 1 July 2012.

There have been no significant breaches of the Consolidated Entity's licence conditions or of the relevant Acts and Regulations.

CORPORATE

On 7 December 2011, Atlantic announced a capital raising of A$25.000 million via a placement of 20,833,333 fully paid ordinary shares in Atlantic at a price of A$1.20 per share.

The proceeds from this capital raising were used to finance improvements and modifications to the CMB plant at Windimurra and for general corporate purposes.

The placement comprised an unconditional component raising A$18,186,000 immediately and a conditional component raising A$6,814,000, approved at an Extraordinary General Meeting of shareholders on 27 January 2012.

On 6 March 2012, Atlantic announced that it had secured a A$41.700 million funding package. The funding package comprised the following:

- A 3 year convertible bond to Atlantic's largest shareholder, Droxford International Limited ("Droxford"), to raise A$30.000 million. The convertible bond is convertible at 97 cents per share. Subsequent to year end, this conversion price was reset to 50 cents per share. Conversion of the convertible bond is subject to shareholder and Foreign Investment Review Board approval;
- a placement of 1,931,818 fully paid ordinary shares to clients of CPS Securities at a price of A$0.88 per share, to raise A$1.700 million; and
- a placement of 11,363,636 Atlantic fully paid ordinary shares to Atlantic's Managing Director at an issue price of A$0.88 per share to raise A$10.000 million.

The proceeds from this capital raising were used to provide working capital for the Windimurra project and for general corporate purposes.

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

On 2 July 2012, the Company announced that it had completed the share placement to raise A$10.000m on the same terms and conditions approved by shareholders on 27 April 2012. This share placement was the final component of the funding package announced on 6 March 2012 to raise A$41.700m.

On 6 August 2012, the Company announced a A$50.000m funding facility. The components of this funding facility are as follows:

1. Binding documentation has been executed for a convertible bond issue to Droxford International Limited, the Company's largest shareholder, for an amount up to A$50.000m. The key terms of this convertible bond are:

   Amount: A$30.000m committed, with discretionary, at the holder's election, financing of A$20.000m;

   Term: 3 years;

   Coupon: 17.5% pa, payable semi-annually in arrears. Payment can be in kind or cash at the holder's election. Payment in kind is defined as 100% payable as new convertible bonds at the issue price, which will be entitled to future coupons;

   Ranking: The Company must use its best endeavours to provide security for this convertible bond by way of security from Midwest Vanadium Pty Ltd in favour of the holder. If the Company is unable to fulfil this condition, then the coupon will increase to 22.5%pa;

   Conversion Price: A$0.50, a 5% premium to the Company's 10 day VWAP immediately prior to 6 August 2012; and

   Conversion: Converted into fully paid ordinary shares at the holder's election at any time.

As a result of execution of this new convertible bond facility, the existing convertible bond facility conversion price has been reset to A$0.50.

Conversion of the March and August 2012 convertible bonds is subject to shareholder and Foreign Investment Review Board approval. If shareholder and Foreign Investment Review Board approval is not received, then the convertible

bonds are repayable within 6 months at a premium of their face value plus 35%.

As a result of execution of this new convertible bond facility, the existing convertible bond facility conversion price has been reset to A$0.50.

Conversion of the March and August 2012 convertible bonds is subject to shareholder and Foreign Investment Review Board approval. If shareholder and Foreign Investment Review Board approval is not received, then the convertible bonds are repayable within 6 months at a premium of their face value plus 35%.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is set out below. All Directors were eligible to attend all meetings held, unless otherwise noted.

	Directors' Meetings	Audit	Remuneration & Nomination	Health, Safety & Environment
Number of meetings held:	17	2	1	1
Number of meetings attended:				
Ian McMaster*	11	1	1	1
Michael Minosora	16	N/A	N/A	N/A
Tony Veitch	12	N/A	N/A	N/A
Alan Mulgrew**	11	2	1	1
Jay Wacher**	12	2	1	1
Phiong Phillipus Darma	15	2	N/A	N/A

* Mr McMaster resigned from the Board on 28 February 2012 and was eligible to attend 11 Board meetings and all committee meetings during the year.

** Mr Mulgrew and Mr Wacher resigned from the Board on 6 March 2012 and were both eligible to attend 12 Board meetings and all committee meetings during the year.

REMUNERATION REPORT

The following information has been audited.

This report outlines the remuneration arrangements in place for the key management personnel of Atlantic for the financial year ended 30 June 2012. 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 key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the executives of the parent and the Group receiving the highest remuneration.

Key Management Personnel

(i) Directors

Mr Michael Minosora (Chairman & Managing Director)
Mr Tony Veitch (Executive Director)
Mr Phiong Phillipus Darma (Non-Executive Director)
Mr Ian McMaster (Non-Executive Chairman), resigned 28 February 2012
Mr Alan Mulgrew (Non-Executive Director), resigned 6 March 2012
Mr Jay Wacher (Non-Executive Director), resigned 6 March 2012

(ii) Executives

Mr Ross Glossop (Chief Financial Officer)
Mr Scott Mathewson (General Manager Operations), appointed 7 November 2011
Mr John Gardener (General Manager Sales & Marketing), appointed 16 January 2012
Mr Peter Patterson (General Counsel), appointed 3 September 2012
Mr Thanh Nguyen (Executive Director Azure Mining International Pty Ltd and Atlantic (Middle East) Pty Ltd)
Mr George Gelavis (Business Development Manager), appointed 6 September 2011, resigned 7 August 2012
Mr Alan Bradshaw (Group Human Resources Manager), resigned 31 July 2012
Mr Joseph Resudek (General Manager Business Development), resigned 16 March 2012
Mr Richard Maltman (General Counsel/Company Secretary), resigned 2 February 2012
Mr Michael Marriott (Executive Director Midwest Vanadium Pty Ltd), resigned 12 January 2012
Mr Philip Baillie (General Manager Operations Midwest Vanadium Pty Ltd), resigned 7 November 2011
Mr Brian McMaster (Non-Executive Director of Atlantic Vanadium Holding Pty Ltd and Midwest Vanadium Pty Ltd), resigned 16 August 2011

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue, other than that 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;
- provide competitive variable remuneration plans to reward exceptional performance;
- link executive rewards to shareholder value creation; and
- establish demanding performance objectives which are derived from the Strategic Plan.

Company performance and link to remuneration

As the Company is transitioning to production the Group's earnings do not reflect the Company's performance and cannot be used as a long-term incentive measure. Consideration of the Group's earnings will be more relevant as the Company matures. The chart below compares, assuming an initial investment of A$100, the yearly percentage change in the cumulative total shareholder return on the Company's ordinary shares against the cumulative total shareholder return of the S&P/ASX 200 Index for the Company's four most recently completed financial years.

Remuneration committee

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

The Remuneration Committee 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.

Use of remuneration consultants

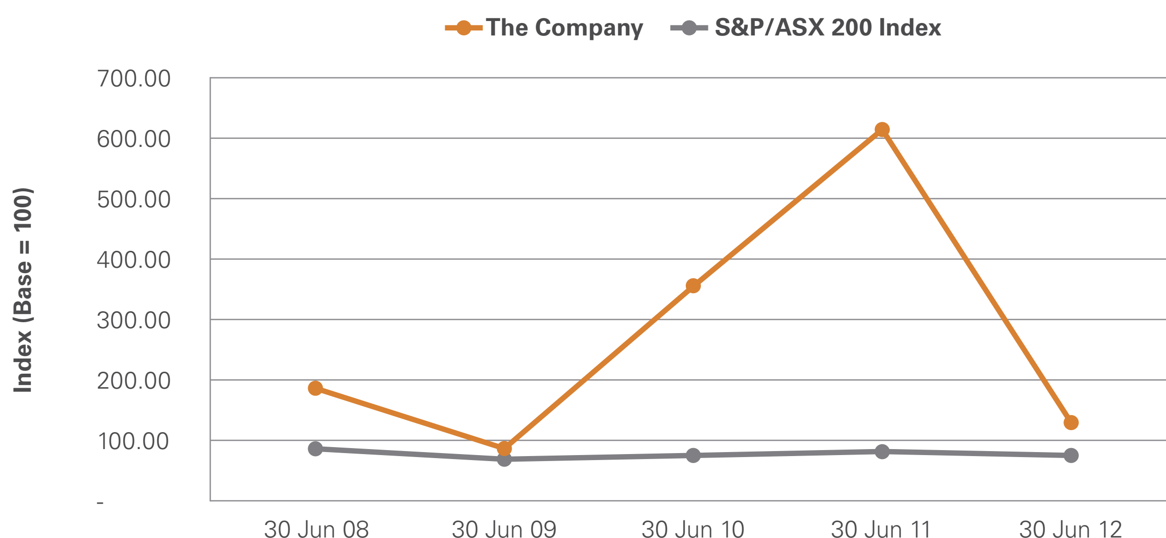
To ensure the Remuneration Committee is fully informed when making remuneration decisions, it seeks external remuneration advice.

New legislation was introduced in 2011 that impacts how companies can seek advice which includes a remuneration recommendation in relation to KMP remuneration. In the financial year 2011/2012 the Board underwent a formal appointment process and HayGroup was appointed as the remuneration advisor to the Group.

In order to ensure the Remuneration Committee is provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the engagement of HayGroup by the Board of Directors was based on an agreed set of procedures that would be followed by HayGroup, members of the Remuneration Committee and members of the KMP.

During the year ended 30 June 2012, HayGroup provided the Company with the following services:

- Reviewed the newly drafted position descriptions for KMP roles;



	14 Aug 2007	30 Jun 2008	30 Jun 2009	30 Jun 2010	30 Jun 2011	30 Jun 2012
The Company	A$100	A$185.71	A$82.70	A$355.61	A$608.67	A$135.63
S&P/ASX 200 Index	A$100	A$87.43	A$66.30	A$72.11	A$77.25	A$68.65
EPS / (Loss per share)	-	A$0.51	(A$0.03)	(A$0.18)	A$0.13	(A$0.15)

- Determined relative sizes for the roles;
- Met with KMP's as required; and
- Using the role size outcome, obtained market information for roles of a similar size within their database.

Remuneration report approval at 2011 AGM

The remuneration report for the 2010/2011 financial year received positive support at the Annual General Meeting with a vote of 83% in favour.

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 latest determination was at the Annual General Meeting held on 25 November 2011 when shareholders approved an aggregate remuneration of A$750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

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.

The remuneration of Non-Executive Directors for the year ended 30 June 2012 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed annual remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed annual remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. 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 Remuneration Committee has access to external, independent advice where necessary.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. 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 most highly remunerated Group and Company executives is detailed in Table 1.

Variable remuneration – short-term incentive

The Group operates a discretionary annual short-term incentive ("STI") program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group, business unit and individual measures.

The objective of the STI is to reward performance that is over and above expectation levels and is linked to the achievement of the Company's operational targets by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The executive has to demonstrate outstanding performance in order to trigger payments under the short-term incentive scheme.

Variable remuneration – long-term incentive Atlantic share incentive plans

The objective of Atlantic's Share Incentive Plans is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential long-term incentive available is 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 is subject to the approval of the Remuneration Committee and must not exceed 5% of the total number of shares on issue, except in certain permitted circumstances detailed in the key terms of the Atlantic Share Incentive Plans.

The key features of the share incentive plans are set out below.

Vesting conditions of shares issued to senior managers and executive directors

(a) 1,000,000 shares at A$1.75 per share to Mr Tony Veitch, Executive Director, on 5 July 2010. The shares vest immediately, but are not tradeable until the Company's shares have traded above A$1.875 each for more than 10 consecutive trading days. As at 30 June 2012, all shares are fully vested.

(b) 3,960,000 shares to Mr Michael Minosora, Managing Director, on 24 December 2009. These shares comprise:

- 1,320,000 shares at A$0.825 per share which vest after 6 months;
- 1,320,000 shares at A$1.00 per share which vest after 12 months; and
- 1,320,000 shares at A$1.25 per share which vest after 18 months.

The shares are not tradeable until the Company's shares have traded above A$1.25 each for more than 10 consecutive trading days. As at 30 June 2012, all shares are fully vested.

(c) 400,000 shares to Mr Michael Marriott, Managing Director of MVPL, on 30 November 2010. No shares had vested at resignation date, as such these shares were forfeited on 12 January 2012.

(d) 227,272 shares at A$0.88 per share were issued to Mr Alan Bradshaw and Mr John Gardener on 6 March 2012. One third of these shares vest each year for 3 years. At 30 June 2012, no shares had vested. Mr Alan Bradshaw's shares were forfeited upon resignation date, 31 July 2012.

(e) 454,545 shares at A$0.88 per share were issued to Mr Ross Glossop and Mr Scott Mathewson on 6 March 2012. One third of these shares vest each year for 3 years. At 30 June 2012, no shares had vested.

Share incentive plan limits

Under the Share Incentive Plan, the Company must not offer shares under the Share Incentive Plan (Plan Shares) if, at the time of offer, the total number of shares issued under the Share Incentive Plans (including shares which are proposed to be issued pursuant to offers made under the Share Incentive Plans) during the 5 year period up to and including the date of offer, exceeds 5% of the total number of shares on issue. For the purposes of calculating this 5% limit, offers made under a disclosure document or Product Disclosure Statement, or offers that do not otherwise require a disclosure document or Product Disclosure Statement, are excluded.

Special conditions

The Share Incentive Plans provides that the Board has the power to impose special conditions on the issue of Plan Shares under the Share Incentive Plans (such as performance hurdles or retention periods). Apart from the vesting conditions, no other special conditions have been set. The Company believes as the Share Incentive Plans shares are not issued at less than the current market price there is an inherent performance hurdle on these Share Incentive Plans shares.

Loan

The Board may, in its absolute discretion, grant a loan to a participant for the purposes of subscribing for Plan Shares. Loans granted under the Share Incentive Plans will be non-recourse (other than against the Plan Shares held by the participant to which the loan relates) and interest free unless otherwise determined by the Board at the time of granting the loan. If the Share Incentive Plans shares have vested, the loan will become immediately repayable upon the first to occur of:

- cessation of employment;
- the participant selling, transferring, mortgaging, charging or otherwise disposing of or dealing with an interest in the Plan Shares;
- the participant creating or attempting to create a third party interest in the Plan Shares; or
- the participant becoming bankrupt.

If the Share Incentive Plans shares have vested, a participant may repay the loan at any time during the term of the loan.

Trustee arrangements

Where the Board provides a loan to assist an eligible employee to participate in the Share Incentive Plans, the Board may determine that the Plan Shares acquired be held by a trustee (appointed by the Board) on trust for the benefit of the participant. In such circumstances, and subject to any special conditions imposed on the offer of Plan Shares, the trustee may only transfer the Plan Shares to the participant after the loan has been repaid in full. If the participant fails to repay the loan when it becomes due and payable, then subject to any special conditions, the trustee may sell the relevant Plan Shares and apply the net proceeds against the outstanding amount of the loan. Any excess proceeds will be remitted to the participant.

Dividend and voting rights

The participant will be entitled to dividends and to vote at a General Meeting of the Company. However, whilst any loan is still outstanding in relation to the acquisition of Plan Shares, dividends will be applied on the participant's behalf in repayment of the principal amount outstanding under the loan. Further, whilst Plan Shares are held by a trustee,

voting rights will be exercised on the participant's behalf by proxy through the trustee.

Takeovers and schemes of arrangements

If a takeover bid is made for the Company, or an application is to be made to the Court under Section 411 of the *Corporations Act 2001* in respect of a proposed reconstruction or amalgamation relating to the Company, the Board has the discretion to waive any of the conditions restricting the participant from selling, transferring, mortgaging, charging or otherwise disposing or dealing with any interest in the Plan Shares.

Amendments to share incentive plan rules

The Board may amend the Share Incentive Plan rules from time to time.

Hedging of equity awards

It is Company policy that executives cannot hedge unvested equity awards.

There have been no alterations to the terms and conditions of Share Incentive Plan shares awarded as remuneration since their award date.

TABLE 1: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2012

	Short-term benefits			Post employment	Share-based payment		
	Salary & fees A$	Bonuses A$	Non-monetary benefits A$	Super-annuation A$	Equity settled Share Incentive Plan A$	Total A$	Performance related %
Non-Executive Directors							
Phiong Phillipus Darma	87,156	-	-	7,844	-	95,000	-
Ian McMaster	94,801	-	-	8,532	-	103,333	-
Alan Mulgrew	83,333	-	-	-	-	83,333	-
Jay Wacher	78,658	-	-	7,079	-	85,737	-
Total Non-Executive Directors	343,948	-	-	23,455	-	367,403	-
Executive Directors							
Michael Minosora	680,308	-	-	19,692	-	700,000	-
Tony Veitch	234,225	-	-	15,775	-	250,000	-
Other Key Management Personnel							
Ross Glossop	382,992	-	-	14,763	65,999	463,754	14%
Alan Bradshaw (i)	284,225	28,000	-	15,775	32,999	360,999	17%
Scott Mathewson	205,475	-	-	10,293	65,999	281,767	23%
John Gardener	119,975	-	-	7,650	32,999	160,624	21%
Thanh Nguyen	194,525	-	-	-	-	194,525	-
George Gelavis	84,000	-	-	-	-	84,000	-
Michael Marriott (iii)	311,854	-	-	13,145	(180,393)	144,606	-
Brian McMaster	9,504	-	-	855	-	10,359	-
Richard Maltman (ii)	276,392	53,192	-	9,416	-	339,000	16%
Joseph Resudek	255,044	-	-	13,308	-	268,352	-
Philip Baillie	198,282	-	-	20,693	-	218,975	-
Total Executive Key Management Personnel	3,236,801	81,192	-	141,365	17,603	3,476,961	-
Totals	3,580,749	81,192	-	164,820	17,603	3,844,364	-

(i) On 12 August 2011, Mr Bradshaw was awarded a bonus payment of A$28,000 which was paid on 11 November 2011. The bonus was in relation to the contribution Mr Bradshaw had made since joining the Company.

(ii) In addition to his Fixed Annual Remuneration, Mr Maltman received a pre-tax sum of A$7,500 per month (discretionary sum) in addition to his base remuneration. The discretionary sum equates to A$90,000 per annum and was proposed be offset against any incentive payments payable to Mr Maltman. The discretionary sum was proposed to be paid over a two year period.

(iii) Mr Marriott resigned on 12 January 2012 and forfeited his share options. Any share-based payments expense previously recognised has been reversed.

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

	Short-term benefits			Post employment	Share-based payment		
	Salary & fees A$	Bonuses A$	Non-monetary benefits A$	Super-annuation A$	Equity settled ESIP A$	Total A$	Performance related %
Non-Executive Directors							
Ian McMaster	142,202	-	-	12,798	-	155,000	-
Alan Mulgrew	125,000	-	-	-	-	125,000	-
Jay Wacher	117,982	-	-	7,018	-	125,000	-
Phiong Phillipus Darma	54,403	-	-	-	-	54,403	-
Total Non-Executive Directors	439,587	-	-	19,816	-	459,403	-
Executive Directors							
Michael Minosora (i)	593,806	400,000	-	22,706	1,137,183	2,153,695	71%
Tony Veitch	229,358	-	-	20,642	753,959	1,003,959	75%
Other Key Management Personnel							
Brian McMaster	57,022	-	-	5,132	-	62,154	-
Thanh Nguyen	243,755	-	-	-	-	243,755	-
Michael Marriott	300,917	-	-	24,399	96,574	421,890	23%
Richard Maltman (ii)	28,200	7,500	-	1,266	-	36,966	20%
Yasmin Broughton	159,487	-	-	13,560	-	173,047	-
Stacey Apostolou	10,500	-	-	-	-	10,500	-
Alan Bradshaw	51,458	-	-	4,631	-	56,089	-
Joseph Resudek	21,373	-	-	1,266	-	22,639	-
Philip Baillie	133,878	-	-	10,468	-	144,346	-
Total Executive Key Management Personnel	1,829,754	407,500	-	104,070	1,987,716	4,329,040	-
Totals	2,269,341	407,500	-	123,886	1,987,716	4,788,443	-

(i) On 30 June 2011, Mr Minosora was awarded a bonus payment of A$400,000, of which A$25,000 was paid on 12 August 2011 and A$375,000 was paid on 7 September 2011. The bonus was in relation to the successful acquisition of Midwest Vanadium Pty Ltd, the raising of A$55.000m of equity (with negligible brokerage) and the US$335.000m capital raising through the placement of senior secured notes.

(ii) In addition to his Fixed Annual Remuneration, Mr Maltman received a pre-tax sum of A$7,500 per month (discretionary sum) in addition to his base remuneration. The discretionary sum equates to A$90,000 per annum and was proposed to be offset against any incentive payments payable to Mr Maltman. The discretionary sum was proposed be paid over a two year period.

TABLE 3: RIGHTS OVER SHARES AWARDED, EXERCISED, LAPSED AND VESTED THROUGH SHARE INCENTIVE PLANS DURING THE YEAR ENDED 30 JUNE 2012 (CONSOLIDATED)

	Rights over shares awarded during the year No.	Grant date	Fair value per rights over shares at grant date A$	Fair value of rights over shares granted during the year A$	Fair value of rights over shares exercised during the year A$	Fair value of rights over shares lapsed during the year A$	Remuneration consisting of rights over shares for the year %	Rights over shares vested during the year No.
Non-Executive Directors								
Phiong Phillipus Darma	-	-	-	-	-	-	-	-
Ian McMaster	-	-	-	-	-	-	-	-
Alan Mulgrew	-	-	-	-	-	-	-	-
Jay Wacher	-	-	-	-	-	-	-	-
Executive Directors								
Michael Minosora	-	-	-	-	-	-	-	-
Tony Veitch	-	-	-	-	-	-	-	-
Other Key Management Personnel								
Ross Glossop	454,545	6 Mar 2012	0.65	296,670	-	-	43%	-
Alan Bradshaw	227,272	6 Mar 2012	0.65	148,334	-	-	31%	-
Scott Mathewson	454,545	6 Mar 2012	0.65	296,670	-	-	58%	-
John Gardener	227,272	6 Mar 2012	0.65	148,334	-	-	54%	-
Thanh Nguyen	-	-	-	-	-	-	-	-
George Gelavis	-	-	-	-	-	-	-	-
Michael Marriott	-	-	-	-	-	-	-	-
Brian McMaster	-	-	-	-	-	-	-	-
Richard Maltman	-	-	-	-	-	-	-	-
Joseph Resudek	-	-	-	-	-	-	-	-
Philip Baillie	-	-	-	-	-	-	-	-
Totals	1,363,634	-	-	890,008	-	-	-	-

TABLE 4: RIGHTS OVER SHARES AWARDED, EXERCISED, LAPSED AND VESTED THROUGH SHARE INCENTIVE PLANS DURING THE YEAR ENDED 30 JUNE 2011 (CONSOLIDATED)

	Rights over shares awarded during the year No.	Grant date	Fair value per rights over shares at grant date A$	Fair value of rights over shares granted during the year A$	Fair value of rights over shares exercised during the year A$	Fair value of rights over shares lapsed during the year A$	Remuneration consisting of rights over shares for the year %	Rights over shares vested during the year No.
Non-Executive Directors								
Ian McMaster	-	-	-	-	-	-	-	-
Alan Mulgrew	-	-	-	-	-	-	-	-
Jay Wacher	-	-	-	-	-	-	-	-
Phiong Phillipus Darma	-	-	-	-	-	-	-	-
Executive Directors								
Michael Minosora	-	-	-	-	-	-	53%	3,960,000
Tony Veitch	1,000,000	5 Jul 2010	0.75	753,959	-	-	75%	1,000,000
Other Key Management Personnel								
Brian McMaster	-	-	-	-	-	-	-	-
Thanh Nguyen	-	-	-	-	-	-	-	-
Michael Marriott	400,000	30 Nov 2010	1.00	399,526	-	-	23%	-
Richard Maltman	-	-	-	-	-	-	-	-
Yasmin Broughton	-	-	-	-	-	-	-	-
Stacey Apostolou	-	-	-	-	-	-	-	-
Alan Bradshaw	-	-	-	-	-	-	-	-
Joseph Resudek	-	-	-	-	-	-	-	-
Philip Baillie	-	-	-	-	-	-	-	-
Totals	1,400,000	-	-	1,153,485	-	-	-	4,960,000

Service Agreements

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

Name	Fixed Annual Remuneration A$	Contract duration	Notice period Company	Notice period Employee	Termination provision
Non-Executive Directors					
Phiong Phillipus Darma	95,000 per annum	No fixed term	1 month	1 month	No provision
Ian McMaster	155,000 per annum	No fixed term	1 month	1 month	No provision
Alan Mulgrew	125,000 per annum	No fixed term	1 month	1 month	No provision
Jay Wacher	125,000 per annum	No fixed term	1 month	1 month	No provision
Executive Directors					
Michael Minosora	700,000 per annum	No fixed term	6 months	6 months	Accrued leave entitlements
Tony Veitch	525,000 per annum	No fixed term	6 months	6 months	Accrued leave entitlements
Other Key Management Personnel					
Ross Glossop	425,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Alan Bradshaw	300,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Scott Mathewson	380,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
John Gardener	275,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Peter Patterson	350,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Thanh Nguyen *	US$20,000 per month	-	-	-	-
George Gelavis	$1000 per day	No fixed term	-	-	-
Brian McMaster	80,000 per annum	No fixed term	1 month	1 month	No provision
Michael Marriott	390,000 per annum	No fixed term	6 months	3 months	Accrued leave entitlements
Richard Maltman	325,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Joseph Resudek	250,000 per annum	No fixed term	3 months	3 months	Accrued leave entitlements
Philip Baillie	330,000 per annum	No fixed term	1 month	1 month	Accrued leave entitlements

* The contract for Mr Nguyen is not final at the date of this report. It is anticipated that there will be no material changes to the terms outlined above.

This is the end of the audited Remuneration Report.

SHARES UNDER OPTION

As at the date of this report, the Company has no options over ordinary shares on issue. 4,941,685 ordinary shares were issued as a result of the exercise of options during the year ended 30 June 2012.

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 Company, other than conduct involving a wilful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

NON-AUDIT SERVICES

The following non-audit services were provided by the Company'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:

	A$
Advice and assistance on taxation and assurance matters	113,191
	113,191

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 35.

Signed in accordance with a resolution of the board of Atlantic Ltd

MICHAEL MINOSORA
Managing Director

Dated this 30th day of September 2012

CORPORATE GOVERNANCE STATEMENT

Atlantic is committed to building a diversified portfolio of resources assets with the aim of delivering sustainable value for its shareholders. Atlantic will seek to achieve this through strong relationships with our project partners, employees, customers, shareholders, local communities and other stakeholders, which are based on honesty, transparency and mutual value creation. These principles underpin our corporate governance policies and procedures.

The Board of Directors recognises that high standards of corporate governance are essential to achieving our objectives. The Company continues to review its corporate governance practices as the business develops. 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. Where the Company's corporate governance practices follows 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 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 directions for the Group, establishing goals for management and monitoring the achievement of those goals. The Managing Director is 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 the Managing Director and the Executive Director and approving their remuneration;
- appointing and removing the Chief Financial Officer and Company Secretary and approving their remuneration;
- 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 Group'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 during the financial year 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 operated the following committees:

- Audit;
- Remuneration and Nomination; and
- Health, Safety and Environment ("HSE").

Following changes to the Board in February and March 2012, it was determined that the size and composition of the Board did not justify the continuation of a separate HSE committee.

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 Group;
- 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 focused on developing employees strengths.

The Company has global aspirations and 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.

During the reporting period, the Company implemented various strategies aimed at promoting and encouraging a diverse and talented workforce. By reasons of the uniqueness of the Company's vanadium project in both the Australian and global context, the Company has recruited highly talented operational personnel from various countries and with diverse cultural and operational backgrounds. The Company has also implemented 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 and makes provision for the Board to determine measurable objectives in line with the overall objectives of the policy.

As at 30 June 2012, 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	138	13	9%
Managers/ Supervisors	30	6	20%
Senior Management	4	0	0%
Board (including subsidiaries)	3	0	0%

The Board has set an initial gender diversity target of 10% for the Group's employees as a whole and 20% for manager/supervisor level and above.

COMPOSITION OF BOARD AND DIRECTOR INDEPENDENCE

As at the date of this report, the Board comprises three Directors, being two Executive Directors (Tony Veitch and Michael Minosora) and one Non-Executive Director (Phiong Phillipus Darma). The Non-Executive Director is considered not to be independent due to his role with a substantial shareholder of the Company.

Due to changes to the Board in February and March 2012, as at the date of this report the Board has no independent Directors. The Company continues to monitor the composition of the Board and is actively seeking to appoint independent Non-Executive Directors to ensure that the Board is made up of a majority of independent Non-Executive Directors.

The non independent Chairman of the Board is Michael Minosora. The Chairman is also the Managing Director of the Company and as such does not satisfy the test of independence in CGC Recommendation 2.2. The Board believes that Michael Minosora is the most appropriate person for the position as Chairman because of his business experience and knowledge. The Board continues to monitor for any conflicts of interest that may arise because of this situation and will also seek to appoint an independent Chairman in due course.

Director	Independent	Non-Executive	Appointment Date	Resignation Date
Ian McMaster	Yes	Yes	11 Apr 2010	28 Feb 2012
Michael Minosora	No – Chairman & Managing Director	No	25 Sep 2009	Not applicable
Tony Veitch	No – Executive Director	No	4 Jul 2007	Not applicable
Alan Mulgrew	Yes	Yes	11 Apr 2010	6 Mar 2012
Jay Wacher	No	Yes	11 Apr 2010	6 Mar 2012
Phiong Phillipus Darma	No	Yes	18 Nov 2010	Not applicable

The skills, experience and expertise of each Director of the Company during the year are included in the Director's 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, COMMITTEES AND SENIOR MANAGEMENT

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year.

During the reporting period, an evaluation and review was conducted by an external party to assess the performance of the current Directors and the Board's contribution to the governance of the Company.

The Managing Director currently reviews the performance of all senior executives. This is conducted by a formal performance review process involving two way dialogue and interviews with the Managing Director to assess the performance of each executive.

BOARD COMMITTEES

Audit Committee

The Board has established an Audit Committee which operates under a charter approved by the Board. 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. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

During the reporting period until 6 March 2012, the members of the Audit Committee were:

Mr Jay Wacher – Chairman

Mr Ian McMaster

Mr Alan Mulgrew

Mr Phiong Phillipus Darma

Following changes to the Board on 6 March 2012, the members of the Audit Committee are now:

Mr Michael Minosora - Chairman

Mr Phiong Phillipus Darma

Mr Tony Veitch

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

The Audit Committee is not structured in compliance with CGC Recommendation 4.2 as it is not chaired by an independent Director, made up of a majority of independent Directors or made up of Non-Executive Directors. Given the composition of the Board, the formation of an Audit Committee in accordance with that recommendation is not possible. The Board considers this present structure is appropriate given its current circumstances until such time as it is able to appoint further independent Non-Executive Directors to the Board.

The Audit Committee held two meetings during the Reporting Period. Details of the Directors who were or are members of the Audit Committee and their attendance are set out in the Directors' Report.

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, as recommended by the Audit Committee. 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 by the Audit Committee and any recommendations are made to the Board.

Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is 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 entitlements.

During the reporting period until 6 March 2012, the members of the Remuneration and Nomination Committee were:

Mr Ian McMaster – Chairman

Mr Jay Wacher

Mr Alan Mulgrew

Following changes to the Board on 6 March 2012, the members of the Remuneration and Nomination Committee are now:

Mr Michael Minosora - Chairman

Mr Phiong Phillipus Darma

Mr Tony Veitch

The Remuneration and Nomination Committee is not structured in compliance with CGC Recommendation 8.2 as it is not made up of a majority of independent Directors or chaired by an independent Director. Given the composition of the Board, the formation of a Remuneration and Nomination Committee in accordance with that recommendation is not possible. The Board considers this present structure is appropriate given its current circumstances until such time as it is able to appoint further independent Non-Executive Directors to the Board.

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

The Remuneration and Nomination Committee held one meeting during the reporting period, which all members attended. Details of remuneration are contained in the Remuneration Report which forms part of the Directors' Report.

Non-Executive Directors are remunerated at a fixed fee for 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 Employee Loyalty and Alignment Share Plan or other equity-based remuneration schemes. There are no termination or retirement benefits for Non-Executive Directors (other than for statutory superannuation).

Pay and rewards for Executive Directors and senior executives consists of a base salary and performance incentives. Fixed annual remuneration for executives is based on competitive market rates and reviewed annually. Short-term incentives can, at the discretion of the Remuneration and Nomination Committee, include annual bonuses based on performance against pre-determined performance indicators.

Long-term performance incentives can include participation in the Company's Employee Loyalty and Alignment Share Plan at the discretion of the Board and subject to obtaining any relevant approvals.

Health, Safety and Environment (HSE) Committee

The role of the Health, Safety and Environment Committee during the reporting period was to assist the Board in the effective discharge of its responsibilities in relation to health, safety and the environment.

Following changes to the Board in February and March 2012, and given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by continuing with a separate HSE Committee. Accordingly, the Board now performs the role of the HSE Committee.

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 with the Chairman, 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 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 judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board;
- 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 Ethics and Conduct, as outlined below.

CODE OF ETHICS AND CONDUCT

The Company has implemented a Code of Ethics and Conduct which 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 advisers 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.

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 must notify the Company Secretary as soon as practicable, but not later than five 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 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 Company's 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'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.

Shareholders are encouraged to attend and participate in the Annual General Meeting of the Company. Shareholders may raise questions at shareholder meetings and the external auditor is in attendance at the Annual General Meeting to address any questions in relation to the conduct of the audit.

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 the Managing Director and Executive Director having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the budget and plans presented to the Board by the Managing Director each year.

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.

The Managing Director and Chief Financial Officer have provided a declaration to the Board in accordance with Section 295A of the *Corporations Act 2001* and have 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 2012. 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	Complied
1	**Lay solid foundations for management and oversight**	
1.1	Establish and disclose the functions reserved to the Board and those delegated to management.	√
1.2	Disclose the process for evaluating the performance of senior executives.	√
2	**Structure the Board to add value**	
2.1	A majority of the Board should be independent Directors.	See above section "Composition of Board and Director Independence"
2.2	The Chair should be an independent Director.	See above section "Composition of Board and Director Independence"
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	See above section "Composition of Board and Director Independence"
2.4	The Board should establish a Nomination Committee.	√
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	√
3	**Promote ethical and responsible decision making**	
3.1	Establish a Code of Conduct and disclose a code, or a summary of the code, as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	√
3.3	Disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	√
3.4	Disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	√
4	**Safeguard integrity in financial reporting**	
4.1	The Board should establish an Audit Committee.	√
4.2	The Audit Committee should be structured so that it: • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent Chair, who is not Chair of the Board; and • has at least three members.	See above section on "Audit Committee"
4.3	The Audit Committee should have a formal charter.	√

	Principle/Recommendation	Complied
5	**Make timely and balanced disclosure**	
5.1	Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	√
6	**Respect the rights of shareholders**	
6.1	Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at General Meetings.	√
7	**Recognise and manage risk**	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* 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 risks.	√
8	**Remunerate fairly and responsibly**	
8.1	The Board should establish a Remuneration Committee	√
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent Directors; • is chaired by an independent Chair; and • has at least three members.	See above section on "Remuneration and Nomination Committee"
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	√

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Auditor's Independence Declaration to the Directors of Atlantic Ltd

In relation to our audit of the financial report of Atlantic Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gavin A Buckingham
Partner
Perth
30 September 2012

GB:MM:ATLANTIC:012

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 A$'000	2011 A$'000
Revenue	4	685	2,347
Other income	4	-	16,401
Discount on acquisition	24	-	32,822
Other expenses	4	(9,714)	-
Corporate expenses	4	(5,254)	(10,047)
Administrative expenses	4	(3,659)	(4,443)
Finance expenses	4	(861)	(24,780)
(Loss)/profit before income tax		(18,803)	12,300
Income tax (expense)/benefit	6	-	-
(Loss)/profit after income tax		(18,803)	12,300
Other comprehensive income		-	-
Total Comprehensive (Loss)/Income for the Period		(18,803)	12,300
		Cents	Cents
Basic (loss)/earnings per share	7	(14.8)	12.6
Diluted (loss)/earnings per share	7	(14.8)	11.6

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

As at 30 June 2012

	Note	2012 A$'000	2011 A$'000
Assets			
Current Assets			
Cash and cash equivalents	8	24,084	100,248
Trade and other receivables	9	2,388	13,587
Inventory	10	9,935	1,922
Other current assets	11	3,165	1,239
Total current assets		39,572	116,996
Non-Current Assets			
Property, plant and equipment	12	459,499	281,107
Cash and cash equivalents	8	-	17,937
Trade and other receivables	9	9,227	8,667
Financial derivative asset	13	1,490	-
Total non-current assets		470,216	307,711
Total assets		509,788	424,707
Liabilities			
Current Liabilities			
Trade and other payables	14	38,325	28,994
Loans and borrowings	15	1,128	16
Financial derivative liability	16	13,157	-
Provisions	17	3,429	2,967
Total current liabilities		56,039	31,977
Non-Current Liabilities			
Loans and borrowings	15	335,198	298,453
Provisions	17	31,582	15,615
Total non-current liabilities		366,780	314,068
Total liabilities		422,819	346,045
Net Assets		86,969	78,662
Equity			
Contributed equity	18	119,738	90,878
Reserves	19	(4,089)	(2,339)
Accumulated losses		(28,680)	(9,877)
Total Equity		86,969	78,662

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 2012

	Note	Ordinary shares A$'000	Option reserve A$'000	Shares reserved for Share Incentive Plan A$'000	Accumulated losses A$'000	Total A$'000
Balance at 1 Jul 2011		90,878	204	(2,543)	(9,877)	78,662
Loss for the year		-	-	-	(18,803)	(18,803)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(18,803)	(18,803)
Transactions with owners in their capacity as owners:						
Shares issued	18	27,688	-	-	-	27,688
Transaction costs on share issues	18	(707)	-	-	-	(707)
Shares issued under Share Incentive Plans	19	2,539	-	(2,539)	-	-
Amounts expensed for shares issued under Share Incentive Plans	19	-	-	194	-	194
Shares forfeited and settled under Share Incentive Plans	19	(660)	-	595	-	(65)
Balance at 30 Jun 2012		119,738	204	(4,293)	(28,680)	86,969

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

For the year ended 30 June 2011

	Note	Ordinary shares A$'000	Option reserve A$'000	Shares reserved for Share Incentive Plan A$'000	Accumulated losses A$'000	Total A$'000
Restated Balance at 1 Jul 2010		28,432	128	(2,385)	(22,177)	3,998
Profit for the year		-	-	-	12,300	12,300
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	12,300	12,300
Transactions with owners in their capacity as owners:						
Shares issued	18	60,722	-	-	-	60,722
Transaction costs on share issues	18	(546)	-	-	-	(546)
Options issued	19	-	76	-	-	76
Shares issued under Share Incentive Plan	19	2,270	-	(2,270)	-	-
Amounts expensed for shares issued under Share Incentive Plan	19	-	-	2,112	-	2,112
Balance at 30 Jun 2011		90,878	204	(2,543)	(9,877)	78,662

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 2012

	Note	2012 A$'000	2011 A$'000
Cash flows from operating activities			
Payments to suppliers and employees		(11,873)	(21,332)
Acquisition costs for Midwest Vanadium Pty Ltd		-	(152)
Interest received		1,469	1,957
Interest paid		(224)	(323)
Net GST received		11,235	-
Net cash flows from/(used in) operating activities	22	607	(19,850)
Cash flows from investing activities			
Receipts from customers		116	-
Interest paid		(36,452)	-
Purchase of property, plant and equipment		(121,093)	(82,290)
Proceeds on disposal of property, plant and equipment		2,653	-
Cash acquired on acquisition of Midwest Vanadium Pty Ltd	24	-	27,617
Payment for shares in Midwest Vanadium Pty Ltd	24	-	(16,000)
Net cash flows used in investing activities		(154,776)	(70,673)
Cash flows from financing activities			
Proceeds from issue of shares		27,688	56,982
Capital raising costs		(707)	(470)
Proceeds from convertible bond		30,000	-
Repayment of borrowings		(2,483)	(166,504)
Proceeds from borrowings		3,596	334,554
Transaction costs incurred		(177)	(14,578)
Net cash flows from financing activities		57,917	209,984
Net (decrease)/increase in cash and cash equivalents		(96,252)	119,461
Cash and cash equivalents at beginning of the period		118,185	4,118
Net foreign exchange differences		2,151	(5,394)
Cash and Cash Equivalents at end of the period		24,084	118,185
Reconciliation Of Cash And Cash Equivalents			
Current cash at bank and on hand	8	24,084	100,248
Non-current cash interest reserve	8	-	17,937
		24,084	118,185

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

1 CORPORATE INFORMATION

The consolidated financial report of Atlantic Ltd for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 30 September 2012.

Atlantic Ltd ("Atlantic" or the "Company") is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office and principal place of business of the Company is Level 29, Bankwest Tower, 108 St Georges Terrace, Perth WA 6000. The financial report of the Company for the year ended 30 June 2012 comprises the Company and its subsidiaries (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 12 to 26, both of which are not 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 items 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 (A$'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 2012, the Group has a working capital deficit of A$16.466m (current assets less current liabilities). The Group has cash on hand at 30 June 2012 of A$24.084m. Included within this cash on hand are amounts which are referred to in the notes as restricted cash of A$23.824m (US$24.279m). This restricted cash is reserved for the August 2012 interest payment of A$18.901m (US$19.262m) under the senior secured notes and a minimum holding balance of A$4.923m (US$5.017m) required to be held under the senior secured notes. This leaves cash on hand at 30 June 2012 of A$0.260m for general working capital.

The Group has trade and other payables at 30 June 2012 of A$38.325m and short-term insurance premium funding of A$1.128m. Included within this trade and other payables amount is A$14.092m in interest accruals associated with the senior secured notes August 2012 interest payment. This amount is payable out of the A$18.901m interest reserve account. The balance of trade and other payables is A$25.361m (2011: A$15.557m).

Excluding other current assets there was insufficient cash on hand at 30 June 2012 to meet the trade and other payables commitments.

The Group also has capital commitments relating to the construction and commissioning of the Windimurra Project of A$4.069m.

As at the date of signing this financial report, the Group has limited unrestricted cash on hand.

The operating and financing commitments of the Group will require further funding in the next twelve months.

The Group has met its working capital commitments by raising the required capital as set out below:

- Finalisation of the December 2011 capital raising, where the Company raised A$25.000m;
- Finalisation of the March 2012 fund raising in July 2012 for A$41.700m; and
- A$30.000m of funds raised by issuing convertible bonds to the Company's largest shareholder, Droxford International (Droxford), announced 3 August 2012, of which a further A$20.000m of convertible bonds may be subscribed at the discretion of Droxford.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Going Concern (continued)

The Directors are satisfied that the Group continues to operate as a going concern by raising further funds as required and base this view on the following factors:

- Drawdown of the discretionary A$20.000m in convertible bonds, announced 3 August 2012, is expected to occur in October 2012. The Group has been advised by Droxford in writing that A$10.000m will be paid into the Company's bank account on 1 October 2012. These proceeds will predominantly be used to pay outstanding creditors. In addition, the Group received a letter from Droxford, dated 20 September 2012, confirming, subject to unanticipated material adverse effects, they intend to subscribe for the remaining discretionary A$10.000m in convertible bonds;
- Production at the Group's Windimurra vanadium project is scheduled to ramp-up over the coming months;
- The Group's ability to continue to manage its working capital, including potentially accessing its existing restricted cash; and
- The Group's demonstrated ability to raise capital as required.

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

- Achieving production targets at the Windimurra vanadium project in accordance with the Group's plan. As at the date of this report, the Windimurra vanadium project has not yet met production targets;
- Managing the Group's working capital requirements;
- Raising the additional A$20.000m in discretionary convertible bonds in October 2012;
- Raising additional funds via debt or equity as and when required;
- Fluctuations in commodity prices; and
- Instability in the debt and equity markets.

Should the Group not be able to manage the inherent uncertainties referred to above, including completing the discretionary portion of the capital raising announced to fund the ongoing ramp-up of the Group's Windimurra Project and source additional working capital as and when required, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and thus continue as a going concern. The Directors are confident that they will be able to complete the fund raisings announced and any future required fund raising.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group 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 2011 have been adopted from 1 July 2011.

- AASB 124 (Revised) Related Party Disclosures (December 2009), effective 1 January 2011;
- AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052], effective 1 January 2011;
- AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13], effective 1 January 2011;
- AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042], effective 1 January 2011;
- AASB 1054 Australian Additional Disclosures, effective 1 July 2011;
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7], effective 1 July 2011;
- AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters [AASB 1], effective 1 July 2011.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2012. These are outlined in the table below.

Reference	Title	Summary of change	Application date of standard	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	1 Jul 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 Jul 2012	1 Jul 2012
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	1 Jul 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 Jan 2013	1 Jul 2013

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 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 Jan 2013	1 Jul 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 Jan 2013	1 Jul 2013

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 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 Jan 2013	1 Jul 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the 'stripping activity asset'. The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 Jan 2013	1 Jul 2013

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 2012-5	Annual Improvements to IFRSs 2009-2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not been adopted by the AASB. The following items are addressed by this standard: AASB 1 *First-time Adoption of International Financial Reporting Standards* – Repeated application of IFRS 1 – Borrowing Costs AASB 101 *Presentation of Financial Statements* – Clarification of the requirements for comparative information AASB 116 *Property, Plant and Equipment* – Classification of servicing equipment AASB 132 *Financial Instruments: Presentation* – Tax effect of distribution to holders of equity instruments AASB 134 *Interim Financial Reporting* – Interim financial reporting and segment information for total assets and liabilities	1 Jan 2013	1 Jul 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 Jul 2013	1 Jul 2013

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 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 Jul 2013	1 Jul 2013

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	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (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; (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. (d) 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) – The remaining change is presented in profit and loss If this approach creates or enlarges an accounting mismatch in the profit and loss, the effect of the changes in credit risk are also presented in profit and loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2013*	1 Jul 2013

* AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Basis of Consolidation

The consolidated financial statements comprise the financial statements of Atlantic and its subsidiaries as at and for the period ended 30 June 2012 (the "Group").

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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 inter-company 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 obtained by 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

F Foreign Currency Translation

(i) Functional and presentation currency

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Share-Based Payments

(i) Equity-settled transactions

The Group provides 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 valuer using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted (see note 21).

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.

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 an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, 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 & Alignment Share Plan

The Share Incentive Plans are accounted for as "in-substance" option plans 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. At the time of grant, the total loan value is recognised in issued capital, with a corresponding reduction in the Share Incentive Plan Reserves. 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 the Share Incentive Plan Reserve.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Cash and Cash Equivalents (continued)

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 re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. 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, directly attributable transactions costs.

(i) Recognition and derecognition

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 derecognised 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 derecognises the asset if it has transferred control of the assets.

(ii) Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Financial Instruments (continued)

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel 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 derecognised 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.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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 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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Impairment of Assets (continued)

(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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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 first to reduce the carrying amount of any goodwill allocated to the units and then 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

N 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 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Property, Plant and Equipment (continued)

(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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

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

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

(iv) Mine properties and development

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 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.

(v) Derecognition

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

O 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P 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.

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.

Q 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.

R 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.

(i) Employee leave benefits

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R Provisions (continued)

(i) Employee leave benefits (continued)

Long service leave

The liability for long service leave 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

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 amount of the provision for future rehabilitation costs is capitalised and is depreciated in accordance with the policy set out in note 2N(iv). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

S 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.

The fair value of a convertible bond is determined using a Black-Scholes formula taking into account the terms and conditions upon which the convertible bonds were issued. This amount is recorded as a derivative liability at fair value through profit and loss (refer note 2L). The remainder of the proceeds are allocated to a financial liability less directly attributable transaction costs. This amount is recorded on an amortised cost basis until extinguished on conversion or maturity of the bonds.

Interest on the financial liability component of the notes is recognised as an expense through the profit and loss except for when the borrowing costs are associated with a qualifying asset, in which case the borrowing costs are capitalised and amortised over the useful life of the qualifying asset.

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.

T 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.

U 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V 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 foreign exchange gains and losses, interest income and interest expense that an entity incurs in connection with the borrowing of funds.

W 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.

X 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.

Y 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y Income Tax and Other Taxes (continued)

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.

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.

Other taxes

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 Tax 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;
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z 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".

AA 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) Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and the provision for rehabilitation. The Company estimates its mineral and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve 2004 (the "JORC code"). There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

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 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 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, future legal changes, (including changes to environmental rehabilitation obligations) 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.

(ii) Impairment of property, plant and equipment

Property, plant and equipment is reviewed if there is 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 higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction (life of mine is 27 years);
- future production levels;
- future commodity prices;
- future cash costs of production; and
- discount rate of 17.5%.

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

These assumptions include management's expectation of the impact of the introduction of a carbon price under the Scheme.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

B Significant Accounting Estimates and Assumptions (continued)

(iii) 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.

(iv) 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.

(v) Recovery of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on 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 unrecognised 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.

(vi) 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 21. 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.

(vii) Significant estimate in determining the beginning of production

Considerations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting.

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point commercial production commences. This is based on the specific circumstances of the project, and considers when the mine's plant becomes 'available for use' as intended by management.

Determining when the production start date is achieved requires an assessment by management and includes the following factors:

- the level of redevelopment expenditure compared to project cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- mineral recoveries, availability and throughput levels at or near expected/budgeted levels;
- the ability to produce ferrovanadium into a saleable form (where more than an insignificant amount is produced); and
- the achievement of continuous production.

Any revenues occurring during the pre-production period are capitalised and offset the capitalised development costs.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

B Significant Accounting Estimates and Assumptions (continued)

(viii) 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 liability 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.

(ix) 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, their 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 volatility, probabilities, commodity prices and commodity consumption. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(x) Borrowing costs denominated in a foreign currency

Significant assumptions are made in determining the level of foreign currency gains or losses that are capitalised in accordance with note 2V. The amount of borrowing costs, including foreign currency gains or losses, that are capitalised are capped to the hypothetical interest rate that the Company would have received had the borrowings been denominated in the functional currency of the Company. This hypothetical interest rate on the US dollar denominated senior secured notes is calculated at 13.992%.

4 REVENUE AND EXPENSES

	2012 A$'000	2011 A$'000
Revenue		
Interest	685	2,347
Other income		
Net foreign exchange gains	-	16,401
	-	16,401
Other expenses		
Net foreign exchange losses (i)	9,546	-
Fair value of derivatives (refer note (27h))	168	-
	9,714	-
Corporate expenses		
Depreciation	138	105
Business development expenses	562	435
Employee benefits expense	2,252	3,530
Acquisition costs (refer note 24(ii))	-	2,631
Other corporate expenses	2,302	3,346
	5,254	10,047
Administrative expenses		
Vietnam Bauxite Project administration costs	708	1,254
Depreciation	-	7
Loss on sale of asset	845	-
Employee benefits expense	188	452
Other administration expenses	1,918	2,730
	3,659	4,443
Included in corporate and administrative expenses are the following:		
Employee benefits expense		
- Wages and Salaries	1,891	1,642
- Superannuation	355	228
- Share-based payments	194	2,112
	2,440	3,982
Finance expenses		
Interest expense - senior secured notes (i)	-	14,336
Interest expense - syndicated debt	-	4,451
Interest expense - finance leases and other borrowings	159	5,260
Unwinding of the discount of the site restoration provision	702	733
	861	24,780

(i) As at 30 June 2012, borrowing costs including foreign exchange gains and losses, interest income and interest expense associated with the senior secured notes of A$43.997m has been capitalised in accordance with International Financial Reporting Standards. As at 30 June 2012, the construction and development of the Windimurra Project is considered a qualifying asset.

5 DIVIDENDS

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

6 INCOME TAX

(a) Income tax expense/(benefit) attributable to continuing operations

	2012 A$'000	2011 A$'000
Current income tax (benefit)/expense	-	(2,519)
Deferred income tax expense/(benefit)	-	2,519
	-	-

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax expense/(benefit)

	2012 A$'000	2011 A$'000
(Loss)/profit before income tax	(18,803)	12,300
Income tax (benefit)/expense at 30% (2011: 30%)	(5,641)	3,690
Tax effect of:		
Non-deductible expenses	522	3,637
Non-assessable revenue	(2)	(9,846)
Temporary differences movement	-	316
Assessable income not included in accounting profit	-	-
Income tax expense/(benefit) adjusted for permanent differences	(5,121)	(2,203)
Tax losses not brought to account as future income tax benefits	5,121	2,203
Income tax expense/(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 Consolidated Entity has gross income tax losses of A$113,684,329 (2011: A$60,999,179) that are available indefinitely for offset against future assessable income as at 30 June 2012. This benefit for tax losses 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:

	2012 A$'000	2011 A$'000
Income tax losses	34,105	18,300
Deductible temporary differences	45,157	55,841
	79,262	74,141

6 INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	Deferred tax assets 2012 A$'000	Deferred tax liabilities 2012 A$'000	Net 2012 A$'000
Borrowing costs	3,405	-	3,405
Business related costs	1,303	-	1,303
Cash and cash equivalents	203	-	203
Other current assets	-	(95)	(95)
Inventory	29	-	29
Derivatives	3,947	(447)	3,500
Employee benefits	335	-	335
Other payables	-	(79)	(79)
Borrowings	-	(8,590)	(8,590)
Acquisition levy provision	693	-	693
Property, plant and equipment	38,610	-	38,610
Provision for rehabilitation	5,843	-	5,843
Tax losses carried forward	34,105	-	34,105
Deferred tax assets/(liabilities)	88,473	(9,211)	79,262
Set-off of deferred tax liabilities	(9,211)	9,211	-
Unrecognised net deferred tax assets	(79,262)	-	(79,262)
Net deferred tax assets/(liabilities)	-	-	-

	Deferred tax assets 2011 A$'000	Deferred tax liabilities 2011 A$'000	Net 2011 A$'000
Borrowing costs	4,618	-	4,618
Business related costs	156	-	156
Cash and cash equivalents	1,420	-	1,420
Other current assets	-	(130)	(130)
Inventory	110	-	110
Employee benefits	146	-	146
Other payables	-	(92)	(92)
Borrowings	-	(10,614)	(10,614)
Acquisition levy provision	744	-	744
Property, plant and equipment	58,431	-	58,431
Provision for rehabilitation	1,052	-	1,052
Tax losses carried forward	18,300	-	18,300
Deferred tax assets/(liabilities)	84,977	(10,836)	74,141
Set-off of deferred tax liabilities	(10,836)	10,836	-
Unrecognised net deferred tax assets	(74,141)	-	(74,141)
Net deferred tax assets/(liabilities)	-	-	-

6 INCOME TAX (CONTINUED)

(e) Movement in temporary differences during the year

	Balance 1 Jul 2011 A$'000	Recognised in profit or loss A$'000	Recognised in equity A$'000	Balance 30 Jun 2012 A$'000
Borrowing costs	4,618	(1,213)	-	3,405
Business related costs	156	1,147	-	1,303
Cash and cash equivalents	1,420	(1,217)	-	203
Other current assets	(130)	35	-	(95)
Inventory	110	(81)	-	29
Derivatives	-	3,500	-	3,500
Employee benefits	146	189	-	335
Other payables	(92)	13	-	(79)
Borrowings	(10,614)	2,024	-	(8,590)
Acquisition levy provision	744	(51)	-	693
Property, plant and equipment	58,431	(19,821)	-	38,610
Provision for rehabilitation	1,052	4,791	-	5,843
Tax losses carried forward	18,300	15,805	-	34,105
Unrecognised net deferred tax assets	(74,141)	(5,121)	-	(79,262)
	-	-	-	-

	Balance 1 Jul 2010 A$'000	Acquisition of MVPL[1] A$'000	Recognised in profit or loss A$'000	Recognised in equity A$'000	Balance 30 Jun 2011 A$'000
Borrowing costs	-	732	3,886	-	4,618
Business related costs	23	75	58	-	156
Cash and cash equivalents	-	-	1,420	-	1,420
Other current assets	-	-	(130)	-	(130)
Inventory	-	-	110	-	110
Employee benefits	11	27	108	-	146
Other payables	32	74	(198)	-	(92)
Borrowings	-	(7,528)	(3,086)	-	(10,614)
Acquisition levy provision	-	-	744	-	744
Property, plant and equipment	-	56,866	1,565	-	58,431
Provision for rehabilitation	-	2,403	(1,351)	-	1,052
Tax losses carried forward	1,210	15,000	2,090	-	18,300
Unrecognised net deferred tax assets	(1,276)	(67,649)	(5,216)	-	(74,141)
	-	-	-	-	-

1 The acquisition of Midwest Vanadium Pty Ltd ("MVPL") occurred on 21 September 2010.

7 (LOSS)/EARNINGS PER SHARE

	2012 A$'000	2011 A$'000
(Loss)/profit used to calculate basic and diluted EPS	(18,803)	12,300

	2012	2011
Weighted average number of post consolidation ordinary shares for basic (loss)/earnings per share	127,476,874	97,558,572
Effect of dilution: Share options	-	8,341,318
Weighted average number of post consolidation ordinary shares adjusted for the effect of dilution	127,476,874	105,899,890

8 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2012 A$'000	2011 A$'000
Current Cash and Cash Equivalents		
Cash at bank and on hand (i)	24,084	100,248
Non-Current Cash and Cash Equivalents		
Cash interest reserve	-	17,937

Restrictions on cash and cash equivalents:

(i) Included within cash and cash equivalents disclosed above is A$4.923m that is specifically reserved for the construction and commissioning of the Windimurra vanadium project owned by Midwest Vanadium Pty Ltd ("MVPL"). The A$4.923m is made up of a US$5.017m minimum holding balance. At 30 June 2012, the use of this cash requires approval on behalf of the senior secured note holders from both the independent engineer and security trustee. Following project completion of the Windimurra vanadium project, this approval is no longer required.

Also included in the cash above is an amount of US$19.262m (A$18.901m) for MVPL which is restricted to the third interest payment under the senior secured notes, paid on 15 August 2012 (note 15(ii)).

9 TRADE AND OTHER RECEIVABLES

	2012 A$'000	2011 A$'000
Current Trade and Other Receivables		
Goods and Services Tax ("GST") receivable (i)	1,405	12,606
Sundry receivables	983	981
	2,388	13,587
Non Current Trade and Other Receivables		
Restricted cash on deposit (ii)	9,227	8,667
	9,227	8,667

(i) Midwest Vanadium Pty Ltd's GST receivable for the period 1 September 2010 to 31 May 2011, amounting to A$11.235m was fully received on 19 July 2011 after finalisation of Australian Tax Office audits with no adjustments.

(ii) Restricted cash on deposit relates to cash backed unconditional environmental performance bonds, guaranteed by a financial institution, and 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 the term deposits of A$9.227m (2011:A$8.666).

(iii) At 30 June 2012, the ageing analysis of trade and other receivables is as follows:

	Total	0 - 30 days	31 - 60 days	61 - 90 days	+91 days
2012	2,388	2,364	-	-	24
2011	13,587	2,213	1,647	956	8,771

Balances within GST, other trade and sundry receivables 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 27.

10 INVENTORIES

	2012 A$'000	2011 A$'000
Store and consumable supplies - at cost	9,734	1,922
Natural gas inventory - at net realisable value	201	-
	9,935	1,922

Ore stockpiles and inventory that is work in progress has a net realisable value of A$nil at 30 June 2012 (2011: A$nil).

Inventory write-downs recognised as an expense totalled A$0.253m (2011: A$0.253m) for the Group.

11 OTHER ASSETS

	2012 A$'000	2011 A$'000
Prepayments	3,165	1,239
	3,165	1,239

12 PROPERTY, PLANT AND EQUIPMENT

	Site plant & equipment A$'000	Leased assets A$'000	Office equipment A$'000	Assets under construction A$'000	Mine properties & development A$'000	Total A$'000
For the year ended 30 Jun 2012						
At 1 Jul 2011 net of accumulated depreciation	125,309	129	531	137,452	17,686	281,107
Borrowing costs capitalised	-	-	-	43,997	-	43,997
Additions	80	-	110	121,315	917	122,422
Transfers	160	(160)	-	-	-	-
Disposals	-	-	-	(3,154)	-	(3,154)
Change in rehabilitation provision	-	-	-	-	15,265	15,265
Depreciation charge for the year	(355)	31	(190)	376	-	(138)
At 30 Jun 2012 net of accumulated depreciation	125,194	-	451	299,986	33,868	459,499
At 30 Jun 2012						
Cost	125,766	-	785	299,986	33,868	460,405
Accumulated depreciation	(572)	-	(334)	-	-	(906)
Net carrying amount	125,194	-	451	299,986	33,868	459,499

	Site plant & equipment A$'000	Leased assets A$'000	Office equipment A$'000	Assets under construction A$'000	Mine properties & development A$'000	Total A$'000
For the year ended 30 Jun 2011						
At 1 Jul 2010 net of accumulated depreciation	-	-	23	-	-	23
Restatements:						
Transferred from operating expenses	-	-	291	-	-	291
Additional depreciation charge for the year	-	-	(6)	-	-	(6)
At 1 Jul 2010 net of accumulated depreciation (restated)	-	-	308	-	-	308
Acquisition of Midwest Vanadium Pty Ltd	97,866	22,120	37	61,496	22,080	203,599
Additions	5,700	-	321	75,956	847	82,824
Transfers	21,960	(21,960)	-	-	-	-
Change in rehabilitation provision	-	-	-	-	(5,241)	(5,241)
Depreciation charge for the year	(217)	(31)	(135)	-	-	(383)
At 30 Jun 2011 net of accumulated depreciation	125,309	129	531	137,452	17,686	281,107
At 30 Jun 2011						
Cost	125,526	160	675	137,452	17,686	281,499
Accumulated depreciation	(217)	(31)	(144)	-	-	(392)
Net carrying amount	125,309	129	531	137,452	17,686	281,107

Included in the additions line for Assets Under Construction is an amount of A$0.315m of capitalised depreciation.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capitalised borrowing costs

The Group has been capitalising borrowing costs including foreign exchange gains and losses, interest income and interest expense associated with the US dollar senior secured notes and convertible note liability in relation to the construction and commissioning of the Windimurra vanadium project. Construction commenced at the Windimurra vanadium project in October 2010 and is expected to be completed in the second half of calendar year 2012. The carrying amount of property, plant and equipment associated with the Windimurra vanadium project is A$456.722m (2011: A$280.644m). The amount of borrowing costs capitalised during the year ended 30 June 2012 is A$43.997m (2011: nil).

Acquisition of property, plant and equipment

For the year ended 30 June 2011, the Group engaged Grays Online Asset Services, an accredited independent valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference to determine the market value for existing use of its acquired site plant and equipment, leased assets, office equipment and assets under construction from the Midwest Vanadium Pty Ltd ("MVPL") acquisition. Market value for existing use is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction as at the valuation date. A combination of Sales Analysis method and Depreciated Replacement cost method has been used to determine the market value. The effective date of the valuation was 21 September 2010.

For the year ended 30 June 2011, the Group also engaged SRK Consulting, an accredited independent valuer to determine the technical value of its acquired landholdings from the MVPL acquisition. This assessment of technical value is based on the unencumbered market value of the MVPL landholdings, where unencumbered market value refers to the amount for which the landholdings might reasonably have been sold in an open market, free from any encumbrance to which they were subject. This technical valuation is based on the landholdings value in exchange and not its value in use. The effective date of this valuation was 12 May 2010. There was no significant change in the landholdings value from 12 May 2010 to 21 September 2010. SRK Consulting deemed the value of landholdings to be A$16.900m.

Purchases since that date have been measured at cost.

Property, plant and equipment pledged as security for liabilities

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

13 FINANCIAL DERIVATIVE ASSET

	2012 A$'000	2011 A$'000
Embedded derivative	1,490	-
	1,490	-

Liquidity risk and fair value Details regarding liquidity risk and fair value is disclosed in note 27.

14 TRADE AND OTHER PAYABLES

	2012 A$'000	2011 A$'000
Trade payables	14,716	2,940
Other payables	9,517	12,601
Senior secured note interest payable	14,092	13,453
	38,325	28,994

Fair value

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

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 27.

15 LOANS AND BORROWINGS

	2012 A$'000	2011 A$'000
Current Loans and Borrowings		
Obligations under finance leases (i)	1,128	16
Non-Current Loans and Borrowings		
Senior secured notes (ii)	315,990	298,453
Convertible bond liability (iii)	19,208	-
	335,198	298,453

(i) Finance leases

The Group has a finance lease for premium funded insurance with a carrying amount of A$1.128m. This lease contract expires within one year.

Finance lease commitments of the Group are payable as follows:

	2012 A$'000	2011 A$'000
Within one year	1,128	16
Total minimum lease payments	1,140	16
Less amounts representing finance charges	(12)	-
Present value of minimum lease payments	1,128	16

(ii) Senior secured notes

On 16 February 2011, Atlantic announced that its indirect wholly-owned subsidiary Midwest Vanadium Pty Ltd ("MVPL") had successfully placed US$335.000m of 11.5% senior secured notes, maturing on 15 February 2018, to North American, Asian and European institutional investors.

The proceeds were partially used to repay all of MVPL's existing external debt, including a A$90.000m face value syndicated senior bank loan and lease facilities attached to the power station at Windimurra, for a total payment of A$91.031m. The repayment was completed immediately following the receipt of proceeds from the note issue. A further A$60.000m payment was also made for the purchase of the Project's crushing and beneficiation plant from Mineral Resources Ltd.

The senior secured notes carrying value is calculated by using the amortised cost method and netting off transaction costs of A$14.966m. The senior secured notes initial proceeds of US$335.000m were received on 17 February 2011 and converted to A$333.832m at A$1:US$1.0035. As at 30 June 2012, the AUD:USD exchange rate is A$1:US$1.0191, converting the face value of the senior secured notes to A$328.721m (2011: A$311.947m).

Collateral

The notes are senior to all of MVPL's existing and future unsecured indebtedness to the extent of the value of the collateral.

The obligations of MVPL under the senior secured note agreement are secured by:

- first-ranking fixed and floating charges or other equivalent security interests over all present and future assets, except the credit balance of certain bank accounts established as collateral for Permitted Hedging Obligations in an amount not to exceed US$60.000m (nil as at 30 June 2012) and the restricted cash backed unconditional environmental performance bonds of A$8.856m;
- first-ranking share mortgages over all of the shares in the capital of MVPL;
- first-ranking mortgage over the mining tenements related to the Windimurra vanadium project held by MVPL; and
- a "featherweight charge" over all the assets and undertakings of MVPL (other than the assets of MVPL which are subject to the fixed and floating charge referred above).

The total assets over which security exists amounts to A$497.672m (2011: A$411.502m)

Interest on the notes accrues at 11.5% pa and is payable semi-annually in arrears on 15 February and 15 August of each year.

15 LOANS AND BORROWINGS (CONTINUED)

(iii) Convertible Bond
On 6 March 2012, Atlantic announced that it had successfully raised A$30.000m by way of convertible bond to its largest shareholder, Droxford International Ltd ("Droxford"). The convertible bond is converted at 0.97 cents per share, which was a 10% premium to the Company's 10 day VWAP immediately prior to 6 March 2012. Conversion into fully paid ordinary shares is at Droxford's election at any time within the 3 year term.

Interest is calculated at 17.5% pa, payable semi annually in arrears and is payable on 8 March and 8 September each year. For the first three interest periods, payment will be 50% in kind and 50% in kind or cash at the holder's election and thereafter paid in cash. Payment in kind is defined as 100% payable as new convertible bonds at the issue price, which will be entitled to future coupons.

The convertible bond's liability carrying value is calculated by using the amortised cost method and netting off transaction costs of A$0.177m. The convertible bond initial proceeds of A$30.000m were received in two tranches, A$20.000m on 7 March 2012 and A$10.000m on 30 March 2012. As at 30 June 2012, the face value of the convertible bond is A$30.000m.

Reconciliation of convertible bond at inception:

	2012 A$'000	2011 A$'000
Convertible bond liability	18,501	-
Embedded derivative associated with the convertible bond	11,499	-
Proceeds	30,000	-

Conversion of the convertible bond is subject to shareholder and Foreign Investment Review Board approval. If shareholder and Foreign Investment Review Board approval is not received, then the convertible bond is repayable at 135% of the outstanding face value.

Refer to note 32 for events subsequent to balance date that affect the convertible bond.

Interest rate, foreign exchange, liquidity risk and fair value
Details regarding interest rate, foreign exchange, liquidity risk and fair value is disclosed in note 27.

16 FINANCIAL DERIVATIVE LIABILITY

	2012 A$'000	2011 A$'000
Embedded derivative associated with the convertible bond	13,157	-
	13,157	-

As at 30 June 2012, the value of the embedded derivative associated with the convertible bond is A$13.157m. The fair value of the embedded derivative associated with the convertible bond is valued using a Black-Scholes option pricing model that takes into account the exercise price, term of the convertible bond, non-tradeable nature of the convertible bond, the share price at issue date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the convertible bond. This is then multiplied against the amount of securities that the Company would be required to issue. The table below summarises the model inputs for the embedded derivative associated with the convertible bond at 30 June 2012:

Share price per share (A$)	0.50
Valuation date	30 Jun 2012
Loan expiry date	31 Mar 2015
Underlying security spot price at valuation date (A$)	0.41
Expected price volatility of the Company's shares	91%
Expected dividend yield	0%
Risk-free interest rate	4.750%
Black-Scholes valuation per share (A$)	0.22

Refer to note 15 for the liability carrying value of the convertible bond.

Details regarding fair value are disclosed in note 27.

17 PROVISIONS

	2012 A$'000	2011 A$'000
Current Provisions		
Annual leave	1,117	487
Acquisition levy (i)	2,312	2,480
	3,429	2,967
Non-Current Provisions		
Rehabilitation provision (ii)	31,582	15,615
	31,582	15,615

Movements in provisions:

	Acquisition levy A$'000	Rehabilitation provision A$'000
At 1 Jul 2011	2,480	15,615
Unwinding of discount	-	702
Movement due to changes in assumptions	(168)	15,265
At 30 Jun 2012	2,312	31,582

17 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 Midwest Vanadium Pty Ltd during the previous reporting period (refer to note 24).

(ii) Rehabilitation provision

The rehabilitation provision represents the Group'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 vanadium project site.

Key assumptions include:

- Inflation: 2.84% per annum (2011: 3.00%)
- Discount rate: 4.142% per annum (2011: 5.750%)
- Years before rehabilitation activities will need to be undertaken: 27 years (2011: 28 years).

In accordance with Western Australian law, land disturbed by the Group in Western Australia must be restored in accordance with the environmental conditions attached to government approval 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 the Group's operations become available. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available.

18 CONTRIBUTED EQUITY

Ordinary Shares

	2012 A$'000	2011 A$'000
Issued and fully paid ordinary shares	119,738	90,878

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity 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.

The Company consolidated its issued capital on a 1 for 25 basis on 30 August 2010. Shares issued during the previous reporting period but prior to the consolidation are presented on a pre-consolidation basis.

18 CONTRIBUTED EQUITY (CONTINUED)

	No. Shares	A$'000
Ordinary Shares		
Movements in ordinary shares on issue		
At 1 Jul 2010	1,292,644,941	28,432
Executive Share Incentive Plan ("ESIP") issue on 5 Jul 2010	25,000,000	1,750
1:25 consolidation of ordinary shares on 30 Aug 2010	(1,264,939,033)	-
Issue of shares @ A$1.10 on 22 Sep 2010	53,900,000	59,290
Executive Share Incentive Plan issue on 30 Nov 2010	400,000	520
Exercise of options	6,596,008	1,432
Issue costs	-	(546)
At 30 Jun 2011	113,601,916	90,878
Issue of shares @ A$1.20 on 13 Dec 2011	15,155,000	18,186
Issue of shares @ A$1.20 on 6 Feb 2012	1,125,000	1,350
Issue of shares @ A$1.20 on 24 Feb 2012	4,553,333	5,464
Issue of shares @ A$0.88 on 14 Mar 2012	1,931,818	1,700
Employee Loyalty & Alignment Share Plan ("ELAS") issue on 25 May 2012	2,084,951	1,835
Settlement and forfeiture of ESIP	(800)	(660)
Off market transfer between ESIP and ELAS	800	704
Exercise of options	4,941,685	988
Issue costs	-	(707)
At 30 Jun 2012	143,393,703	119,738

	No. Shares	A$'000
Performance Shares		
Movements in Class B Performance shares		
At 1 Jul 2010	1,500	-
1:25 consolidation of performance shares on 30 Aug 2010	(1,434)	-
At 30 Jun 2011	66	-
At 30 Jun 2012	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.

These 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% Al_2O_3 on the Bao Loc exploration area. As at 30 June 2012, the above condition has not been met and the dilutive effect of these Class B Performance Shares has not been considered in the EPS calculation (note 7).

The Class B Performance Shares have a carrying value of A$15.

19 RESERVES

	No. Shares	A$'000
Shares Reserved For Share Incentive Plans		
Shares Reserved for Executive Share Incentive Plan ("ESIP")	4,960,000	(2,010)
Employee Loyalty & Alignment Share Plan ("ELAS")	2,884,951	(2,283)
At 30 Jun 2012	7,844,951	(4,293)

Movements in reserves

	No. Shares	A$'000
Shares Reserved for Executive Share Incentive Plan ("ESIP")		
At 1 Jul 2010	109,000,000	(2,385)
Executive Share Incentive Plan issue on 5 July 2010	25,000,000	(1,750)
1.25 consolidation of ordinary shares on 30 Aug 2010	(128,640,000)	-
Executive Share Incentive Plan issue on 30 Nov 2010	400,000	(520)
Amounts of expenses for shares issued to executives	-	2,112
At 30 Jun 2011	5,760,000	(2,543)
Forfeiture of shares issued to executives	(600,000)	660
Write back of amounts expensed for shares issued to executives	-	(180)
Amounts of expenses for shares issued to executives	-	118
Settlement of shares issued to executives	(200,000)	(65)
At 30 Jun 2012	4,960,000	(2,010)

The Shares Reserved for ESIP Reserve is used to record the fair value of shares issued under this plan. At the time of grant the total loan value of shares issued under the plan is recognised in issued capital, with a corresponding reduction in the ESIP Reserve. The ESIP 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 ESIP Reserve. Information on the valuation of the award under the ESIP during the period is disclosed in note 21.

	No. Shares	A$'000
Employee Loyalty & Alignment Share Plan ("ELAS")		
At 30 Jun 2011	-	-
ELAS issue on 25 May 2012	2,084,951	(1,835)
Off-market transfer	800,000	(704)
Amounts of expenses for shares issued to employees	-	256
At 30 Jun 2012	2,884,951	(2,283)

The Shares Reserved for ELAS Reserve is used to record the fair value of shares issued under this plan. At the time of grant the total loan value of shares issued under the plan is recognised in issued capital, with a corresponding reduction in 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 21.

	A$'000
Options Reserve	
At 30 Jun 2011	204
At 30 Jun 2012	204

Information on the valuation of these options is disclosed in note 21.

The Options Reserve is used to recognise the fair value of all options issued.

20 OPTIONS OVER ORDINARY SHARES

During the year, 4,941,685 options (post-consolidation) were exercised to take up ordinary shares.

As at 30 June 2012, the Company had a total of 169,811 unissued ordinary shares on which options are outstanding with an exercise price of A$1.325.

As at 30 June 2012, the Company had a total of 4,960,000 issued ordinary shares related to Executive Share Incentive Plan ("ESIP") grants where the loans remain outstanding (refer note 21 for more information on the ESIP). The awards have been accounted for as in substance options.

As at 30 June 2012, the Company had a total of 2,884,951 issued ordinary shares related to Employee Loyalty & Alignment Share Plan grants where the loans remain outstanding (refer note 21 for more information on the ELAS). The awards have been accounted for as in substance options.

21 SHARE-BASED PAYMENTS

Share-based payment transactions

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

	2012 A$'000	2011 A$'000
Options issued in consideration for services (i)	-	76
Amounts expensed for shares issued under the Company's Share Incentive Plans (ii), (iii)	194	2,112
	194	2,188

(i) Options issued in consideration for services

On 22 September 2010, the Company issued 169,811 (post-consolidation) options with an exercise price of A$1.325 to brokers in consideration for services in relation to the equity capital raising completed on that date. The issue was approved by shareholders at the Extraordinary General Meeting held on 13 August 2010. There are no voting rights attached to the options and they may be exercised at any time on or before 31 August 2012.

The fair value of this option issue was treated as a cost of the capital raising and offset against issued capital in the consolidated statement of financial position. The fair value was calculated as A$0.759m.

Fair value of options granted

The fair value at grant date of options issued is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs (post-consolidation) for options granted during the year ended 30 June 2011:

Options granted for no consideration	169,811
Exercise price (A$)	1.325
Issue date	22 Sep 2010
Expiry date	31 Aug 2012
Underlying security spot price at grant date (A$)	1.00
Expected price volatility of the Company's shares	91.3%
Expected dividend yield	0%
Risk-free interest rate	4.87%
Black-Scholes valuation per option (A$, post-consolidation)	0.4472

The expected price volatility is based on the historic volatility of the Company's share price in the market.

21 SHARE-BASED PAYMENTS (CONTINUED)

(ii) Shares issued under the Employee Loyalty & Alignment Share Plan ("ELAS")

Under the 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 Group.

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 ESIP is determined using a Black-Scholes model using the following model inputs:

Options granted for no consideration	2,884,951
Exercise price (A$)	0.88
Deemed Issue date	6 Mar 2012
Expiry date	6 Mar 2017
Underlying security spot price at grant date (A$)	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 (A$, post-consolidation)	0.65

(iii) Shares issued under the Executive Share Incentive Plan ("ESIP")

Under the 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.

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 Group.

21 SHARE-BASED PAYMENTS (CONTINUED)

(iii) Shares issued under the Executive Share Incentive Plan ("ESIP") (continued)

In the prior year, the Company issued the following shares (on a post-consolidation basis) under the ESIP:

(a) 400,000 shares to Mr Michael Marriott, Managing Director of MVPL, on 30 November 2010. These shares were forfeited upon Mr Marriotts resignation on 12 January 2012.

(b) 1,000,000 shares at A$1.75 per share to Mr Tony Veitch, Executive Director, on 5 July 2010 after shareholder approval on 30 June 2010. The shares vest immediately, but are not tradeable until the Company's shares have traded above A$1.875 each for more than 10 consecutive trading days. As at 30 June 2012, all shares are fully vested.

(c) 400,000 shares to Mr Jonathan Fisher, Business Development Manager, on 15 March 2010. These shares were cash settled and forfeited upon Mr Fisher's resignation on 16 March 2012.
- 200,000 shares at A$1.05 per share, which vested on 15 March 2011, were cash settled; and
- 200,000 shares at A$0.57 per share, which vested on 15 March 2012, were forfeited upon resignation.

(d) 3,960,000 shares to Mr Michael Minosora, Managing Director, on 24 December 2009. These shares comprise:
- 1,320,000 shares at A$0.825 per share which vest after 6 months;
- 1,320,000 shares at A$1.00 per share which vest after 12 months; and
- 1,320,000 shares at A$1.25 per share which vest after 18 months.

The shares are not tradeable until the Company's shares have traded above A$1.25 each for more than 10 consecutive trading days. As at 30 June 2012, all shares are fully vested.

Fair value of shares granted

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 Mr Michael Marriott on 30 November 2010 (both tranches):

Loan price per share (A$)	1.30
Valuation date	30 Nov 2010
Loan expiry date	30 Nov 2015
Underlying security spot price at valuation date (A$)	1.30
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Risk-free interest rate	4.99%
Black-Scholes valuation per share (A$, post-consolidation)	0.9988

Shares issued to Mr Tony Veitch on 5 July 2010:

Loan price per share (A$)	1.75
Valuation date	5 Jul 2010
Loan expiry date	-
Underlying security spot price at valuation date (A$)	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 (A$, post-consolidation)	0.7540

21 SHARE-BASED PAYMENTS (CONTINUED)

(iii) Shares issued under the Executive Share Incentive Plan ("ESIP") (continued)

Shares issued to Mr Jonathan Fisher on 15 March 2010 (both tranches):

Loan price per share (A$)	0.70
Valuation date	15 Mar 2010
Loan expiry date	15 Mar 2015
Underlying security spot price at valuation date (A$)	0.675
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Risk-free interest rate	5.27%
Black-Scholes valuation per share (A$, post-consolidation)	0.5167

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

Loan price per share (A$)	0.825
Valuation date	27 Nov 2009
Loan expiry date	24 Dec 2014
Underlying security spot price at valuation date (A$)	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 (A$, post-consolidation)	0.7933

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

Loan price per share (A$)	1.00
Valuation date	27 Nov 2009
Loan expiry date	24 Dec 2014
Underlying security spot price at valuation date (A$)	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 (A$, post-consolidation)	0.7707

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

Loan price per share (A$)	1.25
Valuation date	27 Nov 2009
Loan expiry date	24 Dec 2014
Underlying security spot price at valuation date (A$)	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 (A$, post-consolidation)	0.7428

22 CASH FLOW STATEMENT RECONCILIATION

(i) Reconciliation of (loss)/profit for the year to net cash flows from operations:

	2012 A$'000	2011 A$'000
(Loss)/profit after income tax	(18,803)	12,300
Adjustments for:		
Depreciation	138	112
Discount on acquisition	-	(32,822)
Net foreign exchange gains	-	(15,980)
Net foreign exchange losses	9,541	-
Interest income capitalised	1,018	-
Share-based payments expense	194	2,112
Unwinding of the discount of the rehabilitation provision	702	733
Adjustment to stamp duty provision	(168)	-
Inventory adjustment	-	253
Non cash interest expense	-	22,942
Fair value of derivatives	168	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	10,381	(13,968)
Decrease/(increase) in prepayments	8	(59)
(Increase) in inventory	-	(385)
(Decrease)/increase in trade and other payables	(2,782)	1,945
Increase in provisions	210	2,967
Net cash used in operating activities	607	(19,850)

(ii) Non cash financing activities

On 21 September 2010, Atlantic issued 3,400,000 fully paid ordinary shares at an issue price of A$1.10 per share as part payment for the acquisition of Midwest Vanadium Pty Ltd (note 24).

23 OPERATING SEGMENTS

Identification of reportable segments

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

The operating segments are identified by management based on the projects within the Group. Discrete financial information about each of these operating businesses is reported to the Board of Directors on a monthly basis.

Description of projects

Windimurra vanadium project

The Project is located approximately 600 kilometres north east of Perth and 80 kilometres south east of Mount Magnet in Western Australia and hosts one of the largest proven reserves of vanadium in the world.

Customers

MVPL has entered into a marketing agreement for ferrovanadium production.

Vietnam

The Group is involved in two early stage development projects in Vietnam. The Group was actively engaged in dialogue with Vietnamese authorities for the proposed development of an integrated "mine-rail-port" bauxite project. The Group is also pursuing an interest in the Bao Loc Bauxite Project in Vietnam through Azure Mining International Pty Ltd and Atlantic (Mining) Pty Ltd, both 100%-owned subsidiaries of the Company.

Unallocated items

Part of the following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue;
- Other income;
- Corporate expenses;
- Discount on acquisition; and
- Share-based payment expense.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period except as detailed below.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Inter-entity sales are recognised based on an internally set transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

23 OPERATING SEGMENTS (CONTINUED)

Segment information

	Windimurra vanadium project A$'000	Vietnam A$'000	Unallocated Corp/Other A$'000	Unallocated Elimination A$'000	Consolidated A$'000
30 Jun 2012					
Segment revenue - external	431	-	254	-	685
Segment revenue - internal	-	-	6,861	(6,861)	-
Other expenses	(8,051)	-	(1,663)	-	(9,714)
Corporate expenses	-	-	(5,254)	-	(5,254)
Administration expenses	(2,951)	(708)	708	(708)	(3,659)
Finance expenses	(861)	-	-	-	(861)
Segment operating loss before tax	(11,432)	(708)	906	(7,569)	(18,803)
Income tax (expense)/benefit					-
Loss after income tax					(18,803)
Included in the above:					
Share-based payment expense	5	-	189	-	194
Segment assets	506,530	-	118,022	(114,764)	509,788
Segment liabilities	394,151	3,249	35,849	(10,430)	422,819
Capital expenditure	121,064	-	29	-	121,093
30 Jun 2011					
Segment revenue - external	1,855	-	492	-	2,347
Segment revenue - internal	-	-	1,742	(1,742)	-
Other income	16,410	-	(9)	-	16,401
Discount on acquisition (i)	-	-	32,822	-	32,822
Corporate expenses	-	-	(11,301)	1,254	(10,047)
Administration expenses	(3,648)	(1,254)	-	459	(4,443)
Finance expenses	(26,075)	-	-	1,295	(24,780)
Segment operating profit/(loss) before tax	(11,458)	(1,254)	23,746	1,266	12,300
Income tax (expense)/benefit					-
Profit after income tax					12,300
Included in the above:					
Share-based payment expense	97	-	2,015	-	2,112
Segment assets	420,169	-	61,396	(56,858)	424,707
Segment liabilities	346,142	2,541	1,582	(4,220)	346,045
Capital expenditure	82,564	-	260	-	82,824

(i) Refer note 24 for details of the discount on acquisition.

24 BUSINESS COMBINATION

On 21 September 2010, the Company's wholly-owned subsidiary, Atlantic Vanadium Holdings Pty Ltd ("AVHPL"), acquired 100% of the voting shares of Midwest Vanadium Pty Ltd ("MVPL"), a company that owns 100% of the Windimurra vanadium project with the intention of finalising the development of the Windimurra vanadium project. The Project is located approximately 600 kilometres north east of Perth and 80 kilometres south east of Mount Magnet in Western Australia and hosts one of the largest proven reserves of vanadium in the world.

The total consideration transferred was A$19,740,000 and comprised cash of A$16,000,000 paid or payable by Atlantic on behalf of AVHPL, and the issue of 3,400,000 fully paid ordinary shares in Atlantic on behalf of AVHPL. In the absence of a quoted price at the date of acquisition the ordinary shares had a fair value of A$1.10 per share, based on the price of a share placement for cash on 21 September 2010. The fully paid ordinary shares have a total fair value of A$3,740,000.

The fair values of the identifiable assets and liabilities of MVPL as at the date of acquisition were:

	Fair value on acquisition A$'000
Cash and cash equivalents	27,617
Receivables	8,169
Inventories	1,790
Property, plant and equipment (iii)	181,519
Mine property and development	22,080
	241,175
Trade and other payables	(11,590)
Provisions	(20,211)
Loans and borrowings (i)	(156,812)
	(188,613)
Fair value of identifiable net assets	52,562
Discount on acquisition	(32,822)
Consideration transferred	19,740
Acquisition date fair value of consideration transferred	
Cash paid by Atlantic on behalf of AVHPL	16,000
Shares issued by Atlantic on behalf of AVHPL, at fair value	3,740
Consideration transferred	19,740
Direct costs relating to the acquisition (ii)	2,914
Cash inflow on acquisition	
Cash acquired with MVPL	27,617
Consolidated cash inflow	27,617

(i) The syndicated secured bank loan, which remained payable to the lenders under the Varied DOCA (Deed of Company Arrangement), has been recognised at its acquisition date fair value. Initially, the value of the loan was determined using a nominal interest rate of 16.42% for Australian dollar denominated debt following the Group's acquisition of MVPL on 21 September 2010, which derived a provisional carrying value for the secured loan of A$50.911m. This initial fair value calculation was included in the senior secured note offering information. Subsequently, the fair value of the secured loan was reassessed using a market interest rate of 15.74% and repayment expectations as at 21 September 2010, which derived an adjusted fair value of A$66.639m. The balance of loans and borrowings acquired relate to finance lease liabilities and the amounts payable to MRL to acquire the crushing and beneficiation plant. These loans and borrowings were repaid following the US$335.000m senior secured note placement in February 2011 (refer note 15). The settlement of these loans and borrowings resulted in a A$0.993m loss.

24 BUSINESS COMBINATION (CONTINUED)

(ii) For the year ended 30 June 2011, the direct costs relating to the acquisition were A$2,630,883 (refer to note 4). However, the total direct costs were A$2,914,258 (including a A$2,479,658 provision for acquisition levy), as a consequence of some costs being incurred prior to 30 June 2010.

(iii) Refer to note 12 for details on the valuation of property, plant and equipment undertaken.

The fair values of the identifiable assets and liabilities of MVPL were finalised as at 30 June 2011 and as such the provisional disclosures have now ceased.

Included in the business acquisition were receivables. These related mainly to GST recoveries and deposit backed bank guarantees, which had a gross contractual value equal to their face value. Management expects to collect all receivable amounts in full. Further, also included in the business acquisition are carried forward tax losses which have not been brought to account because at balance date the Group does not believe that the relevant probability criteria were met.

From the date of acquisition, MVPL contributed A$1,855,253 to interest revenue and a A$20,057,327 net loss after tax (excluding the discount on acquisition) to the Group for the year ended 30 June 2011. MVPL's contribution to the net profit does not include direct costs relating to the acquisition, which have been expensed as incurred by the Group.

No disclosure has been included of the impact of MVPL on the consolidated statement of comprehensive income had the acquisition occurred at the beginning of the reporting period as it is impractical to do so. MVPL was in receivership and administration prior to the acquisition and as a consequence was not operating.

The discount on acquisition was a result of MVPL being purchased from the administrators by AVHPL who had the capability to secure a future fund raising to settle MVPL's remaining secured debt facilities. This resulted in AVHPL paying less than the fair value of identifiable net assets for MVPL.

25 RELATED PARTY DISCLOSURES

Subsidiaries

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

Name		Country of incorporation	% Equity interest	
			2012	2011
Atlantic Vanadium Holding Pty Ltd		Australia	100%	100%
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%
Midwest Vanadium Pty Ltd		Australia	100%	100%
Atlantic (Mining) Pty Ltd	(a), (b)	Australia	100%	-

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

(b) Atlantic (Mining) Pty Ltd was incorporated on 22 September 2011.

Ultimate parent

Atlantic Ltd 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.

25 RELATED PARTY DISCLOSURES (CONTINUED)

Directors

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

Michael Minosora – Chairman & Managing Director
Tony Veitch – Executive Director
Phiong Phillipus Darma – Non-Executive Director
Ian McMaster – Chairman (Resigned 29 February 2012)
Alan Mulgrew – Non-Executive Director (Resigned 7 March 2012)
Jay Wacher – Non-Executive Director (Resigned 7 March 2012)

Transactions with Directors and Director-related entities

The following transactions were undertaken between any Group company and the following Director-related parties during the years ended 30 June 2012 and 30 June 2011:

- Ambrosia Empire Limited, a company in which Mr Thanh Nguyen has a beneficial interest, was paid consulting fees of US$200,000 (2011: US$240,000). At 30 June 2012, an amount of US$60,000 (30 June 2011: US$20,000) was owed to Ambrosia Empire Limited; and
- Strategic Solutions (WA) Pty Ltd, a company in which Mr Alan Mulgrew has a beneficial interest, was paid Directors' fees of A$83,333 (2011: A$125,000). At 30 June 2012, no amount was owed to Strategic Solutions (WA) Pty Ltd (30 June 2011: nil).

All transactions with related parties are made in arm's length transactions both at normal market prices and on normal commercial terms unless otherwise stated.

26 KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

(i) Executive Directors

Mr Michael Minosora (Chairman & Managing Director)
Mr Tony Veitch (Executive Director)

(ii) Non-Executive Directors

Mr Phiong Phillipus Darma
Mr Ian McMaster, resigned 29 February 2012
Mr Alan Mulgrew, resigned 7 March 2012
Mr Jay Wacher, resigned 7 March 2012

(iii) Other Key Management Personnel

Mr Ross Glossop (Chief Financial Officer)
Mr Scott Mathewson (General Manager Operations), appointed 7 November 2011
Mr John Gardener (General Manager Sales and Marketing), appointed 16 January 2012
Mr Peter Patterson, (General Counsel), appointed 3 September 2012
Mr Thanh Nguyen (Executive Director of Azure Mining International Pty Ltd and Atlantic (Middle East) Pty Ltd)
Mr George Gelavis (Business Development Manager), appointed 6 September 2011, resigned 7 August 2012
Mr Alan Bradshaw (Group Human Resources Manager), resigned 31 July 2012
Mr Joseph Resudek (General Manager Business Development), resigned 16 March 2012
Mr Richard Maltman (General Counsel/Company Secretary), resigned 2 February 2012
Mr Michael Marriott (Managing Director of Midwest Vanadium Pty Ltd), resigned 12 January 2012
Mr Philip Baillie (General Manager Operations Midwest Vanadium Pty Ltd), resigned 7 November 2011
Mr Brian McMaster (Non-Executive Director of Atlantic Vanadium Holding Pty Ltd and Midwest Vanadium Pty Ltd), resigned 16 August 2011
Ms Yasmin Broughton (General Counsel/Company Secretary), resigned 14 April 2011 (included in 2011 Key Management Personnel)
Ms Stacey Apostolou (Company Secretary), resigned 13 August 2010 (included in 2011 Key Management Personnel)
Mr Morgan Barron (Company Secretary), resigned 31 March 2010 (included in 2011 Key Management Personnel)

26 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Compensation for Key Management Personnel

	2012 A$	2011 A$
Short-term employee benefits	3,661,941	2,676,841
Post-employment benefits	164,820	123,886
Share-based payment	17,603	1,987,716
Total compensation for Key Management Personnel	3,844,364	4,788,443

A portion of total compensation for Key Management Personnel has been capitalised as part of the development costs of Windimurra vanadium project.

Detailed remuneration disclosures are provided in the remuneration report within the Director's Report on pages 17 to 25.

(c) Shareholdings of Key Management Personnel

	Balance 1 Jul	Granted as remuneration	Net change other	Balance 30 Jun
2012				
Executive Directors				
Michael Minosora (i)	1,214,700	-	4,553,333	5,768,033
Tony Veitch (ii)	400,000	-	80,000	480,000
Non-Executive Directors				
Phiong Phillipus Darma	-	-	-	-
Ian McMaster (iv)	100,000	-	(100,000)	-
Alan Mulgrew (iv)	280,000	-	(280,000)	-
Jay Wacher (iv)	409,571	-	(409,571)	-
Other Key Management Personnel				
Ross Glossop	-	-	-	-
Alan Bradshaw	-	-	-	-
Scott Mathewson (v)	-	-	20,000	20,000
John Gardener	-	-	-	-
Thanh Nguyen (iii)	1,360,258	-	830,092	2,190,350
George Gelavis	-	-	-	-
Michael Marriott	-	-	-	-
Brian McMaster	-	-	-	-
Richard Maltman	-	-	-	-
Joseph Resudek	-	-	-	-
Philip Baillie	-	-	-	-

(i) Mr Minosora's share issue was approved at an Extraordinary General Meeting on 27 January 2012, where 4,553,333 shares were issued at A$1.20.
(ii) Mr Veitch's share increase is a result of the exercise of 80,000 listed options at A$0.20 each.
(iii) 800,000 of the net change other is a result of the exercise of listed options. 30,092 shares were purchased on market during the year ended 30 June 2012.
(iv) Net change due to resignation.
(v) Shares purchased on market during the year.

26 KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shareholdings of Key Management Personnel (continued)

	Balance 1 Jul	Granted as remuneration	Net change other	Balance 30 Jun
2011				
Executive Directors				
Michael Minosora	1,214,700	-	-	1,214,700
Tony Veitch	320,000	-	80,000	400,000
Non-Executive Directors				
Phiong Phillipus Darma	-	-	-	-
Ian McMaster (ii)	-	-	100,000	100,000
Alan Mulgrew (ii)	-	-	280,000	280,000
Jay Wacher (ii)	-	-	409,571	409,571
Other Key Management Personnel				
Thanh Nguyen (i)	1,546,258	-	(186,000)	1,360,258
Michael Marriott	-	-	-	-
Richard Maltman	-	-	-	-
Yasmin Broughton	-	-	-	-
Stacey Apostolou	-	-	-	-
Alan Bradshaw	-	-	-	-
Joseph Resudek	-	-	-	-
Philip Baillie	-	-	-	-

(i) Closing balance as at 30 June 2011 has been corrected to include an additional 6,000 shares purchased during the year ended 30 June 2011.
(ii) Shares purchased on market during the year.

26 KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Rights Over Shares and Option Holdings of Key Management Personnel

	Rights or options type	Balance 1 Jul	Granted as remuneration	Exercise of options	Net change other	Balance 30 Jun	Vested at 30 Jun exercisable
2012							
Executive Directors							
Michael Minosora	Rights over shares	3,960,000	-	-	-	3,960,000	3,960,000
Tony Veitch	Listed options	80,000	-	(80,000)	-	-	-
Tony Veitch	Rights over shares	1,000,000	-	-	-	1,000,000	1,000,000
Non-Executive Directors							
Phiong Phillipus Darma	-	-	-	-	-	-	-
Ian McMaster	-	-	-	-	-	-	-
Alan Mulgrew	-	-	-	-	-	-	-
Jay Wacher	-	-	-	-	-	-	-
Other Key Management Personnel							
Ross Glossop (i)	Rights over shares	-	454,545	-	-	454,545	-
Alan Bradshaw (i)	Rights over shares	-	227,272	-	-	227,272	-
Scott Mathewson (i)	Rights over shares	-	454,545	-	-	454,545	-
John Gardener (i)	Rights over shares	-	227,272	-	-	227,272	-
Thanh Nguyen	Listed options	800,000	-	(800,000)	-	-	-
Michael Marriott (ii)	Rights over shares	400,000	-	-	(400,000)	-	-
Richard Maltman	-	-	-	-	-	-	-
Joseph Resudek	-	-	-	-	-	-	-
Philip Baillie	-	-	-	-	-	-	-
Yasmin Broughton	-	-	-	-	-	-	-
Stacey Apostolou	-	-	-	-	-	-	-

(i) Shares issued pursuant to Employee Loyalty & Alignment Share Plan in March 2012.
(ii) Net change due to resignation.

26 KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Rights Over Shares and Option Holdings of Key Management Personnel (continued)

	Rights or options type	Balance 1 Jul	Granted as remuneration	Exercise of options	Net change other	Balance 30 Jun	Vested at 30 Jun exercisable
2011							
Executive Directors							
Michael Minosora	Rights over shares	3,960,000	-	-	-	3,960,000	3,960,000
Tony Veitch	Listed options	80,000	-	-	-	80,000	80,000
Tony Veitch	Unlisted options	80,000	-	(80,000)	-	-	-
Tony Veitch (i)	Rights over shares	-	1,000,000	-	-	1,000,000	1,000,000
Non-Executive Directors							
Phiong Phillipus Darma	-	-	-	-	-	-	-
Ian McMaster	-	-	-	-	-	-	-
Alan Mulgrew	-	-	-	-	-	-	-
Jay Wacher	-	-	-	-	-	-	-
Other Key Management Personnel							
Thanh Nguyen	Listed options	800,000	-	-	-	800,000	800,000
Michael Marriott (i)	Rights over shares	-	400,000	-	-	400,000	-
Richard Maltman	-	-	-	-	-	-	-
Yasmin Broughton	-	-	-	-	-	-	-
Stacey Apostolou	-	-	-	-	-	-	-
Alan Bradshaw	-	-	-	-	-	-	-
Joseph Resudek	-	-	-	-	-	-	-
Philip Baillie	-	-	-	-	-	-	-

(i) Shares issued pursuant to Executive Share Incentive Plan in July 2010 (Mr Veitch) and November 2010 (Mr Marriott).

27 FINANCIAL INSTRUMENTS

(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, senior secured notes, convertible bonds and finance leases.

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, foreign currency 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 foreign currency risk and assessments of market forecasts for interest rates and foreign exchange. 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) Commodity price risk

Vanadium is not traded in any significant volume on global commodity exchanges. The Group has a marketing agreement for ferrovanadium in place for delivery over the period 2012 to 2016.

The contracted selling price is the prevailing market price subject to a floor price for 65% of ferrovanadium production and a ceiling price for 65% of ferrovanadium production.

27 FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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 and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity reflecting the current business status of the entity.

Management constantly adjusts the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt. 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. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

	2012	2011
Gearing ratio	78%	70%

The Group is not subject to any externally imposed capital requirements.

27 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 the Group, together with effective interest rates as at the balance date.

	Floating interest rate A$'000	Fixed interest rate maturing in			Non-interest bearing A$'000	Total A$'000	Average interest rate	
		< 1 year A$'000	1 to 5 years A$'000	> 5 years A$'000			Floating %	Fixed %
30 Jun 2012								
Financial Assets								
Cash and cash equivalents	255	23,824	-	-	5	24,084	2.7	1.0
Trade and other receivables	-	9,227	-	-	2,388	11,615	-	2.7
Financial derivative asset	-	-	-	-	1,490	1,490	-	-
	255	33,051	-	-	3,883	37,189		
Financial Liabilities								
Trade and other payables	-	-	-	-	38,324	38,324	-	-
Loans and borrowings	-	1,128	-	335,198	-	336,326	-	12.0
Financial derivative liability	-	-	-	-	13,157	13,157	-	-
	-	1,128	-	335,198	51,481	387,807		
30 Jun 2011								
Financial Assets								
Cash and cash equivalents	77,585	40,058	-	-	542	118,185	0.8	5.7
Trade and other receivables	-	8,667	-	-	13,587	22,254	-	5.6
	77,585	48,725	-	-	14,129	140,439		
Financial Liabilities								
Trade and other payables	-	-	-	-	28,994	28,994	-	-
Loans and borrowings	-	16	-	298,453	-	298,469	-	12.5
	-	16	-	298,453	28,994	327,463		

At 30 June 2012, 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	
	2012 A$'000	2011 A$'000	2012 A$'000	2011 A$'000
+1%	7	996	7	996
- 1%	(7)	(996)	(7)	(996)

The movements in (loss)/profit after income tax are due to higher/lower interest income from fixed and 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 the Group was and is expecting to be exposed to in the next twelve months from balance date.

27 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk primarily arising from currency exposures to the United States dollar.

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. The Group is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in US$ and US$ 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, the Group had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	2012 A$'000	2011 A$'000
Financial Assets		
Cash and cash equivalents	23,825	68,038
	23,825	68,038
Financial Liabilities		
Trade and other payables	14,295	13,472
Loans and borrowings	315,990	298,453
	330,285	311,925
Net exposure	(306,460)	(243,887)

At 30 June 2012, if the Australian dollar to United States 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	
	2012 A$'000	2011 A$'000	2012 A$'000	2011 A$'000
+10%	27,826	22,203	27,826	22,203
- 10%	(34,010)	(27,137)	(34,010)	(27,137)

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

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

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

As at 30 June 2012, the AU$:US$ exchange rate is A$1:US$1.0191 and the year to date average AU$:US$ exchange rate is A$1:US$1.0319.

(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 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.

27 FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk (continued)

The credit quality of the Group's financial assets as at 30 June 2012 is as follows:

	S&P Rated					Internally rated	
	AAA A$'000	AA- A$'000	A+ A$'000	BAA A$'000	BBB A$'000	No default A$'000	Total A$'000
30 Jun 2012							
Cash and cash equivalents	-	23,824	259	-	-	1	24,084
Trade and other receivables	1,431	9,080	381	113	480	130	11,615
Financial derivative asset	-	-	-	-	1,490	-	1,490
	1,431	32,904	640	113	1,970	131	37,189

	S&P Rated			Internally rated	
	AAA A$'000	AA A$'000	A+ A$'000	No default A$'000	Total A$'000
30 Jun 2011					
Cash and cash equivalents	-	118,185	-	-	118,185
Trade and other receivables	12,885	9,100	269	-	22,254
	12,885	127,285	269	-	140,439

The equivalent S&P 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.

(g) Liquidity risk

The liquidity position of the Group is managed 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 maintain appropriate liquidity levels. Sensitivity analysis is conducted on pricing and production to ensure the Group has the ability to meet commitments. This enables the Group to manage cash flows on a long-term basis and provides the flexibility to pursue a range of funding alternatives if necessary.

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. 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. Loan and borrowing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g., inventories and trade receivables). Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

27 FINANCIAL INSTRUMENTS (CONTINUED)

	≤ 6 months A$'000	6 - 12 months A$'000	1 - 5 years A$'000	> 5 years A$'000	Total A$'000
30 Jun 2012					
Liquid Financial Assets					
Cash and cash equivalents (i)	24,084	-	-	-	24,084
Trade and other receivables	11,615	-	-	-	11,615
Financial derivative asset	-	-	-	1,367	1,367
	35,699	-	-	1,367	37,066
Financial Liabilities					
Trade and other payables (ii)	24,233	-	-	-	24,233
Loans and borrowings (iii)	21,526	21,526	191,712	366,524	601,288
	45,759	21,526	191,712	366,524	625,521
Net inflow/(outflow)	(10,060)	(21,526)	(191,712)	(365,157)	(588,455)
30 Jun 2011					
Liquid Financial Assets					
Cash and cash equivalents (i)	100,248	-	17,937	-	118,185
Trade and other receivables	15,860	6,394	-	-	22,254
	116,108	6,394	17,937	-	140,439
Financial Liabilities					
Trade and other payables (ii)	15,541	-	-	-	15,541
Loans and borrowings (iii)	17,953	17,937	143,496	383,694	563,080
	33,494	17,937	143,496	383,694	578,621
Net inflow/(outflow)	82,614	(11,543)	(125,559)	(383,694)	(438,182)

(i) Refer to note 8 for restrictions on cash.
(ii) Trade and other payables excludes the interest accrued on the senior secured notes.
(iii) Represents gross cash outflows on the senior secured notes and convertible bond (including interest payments).

(h) Fair value

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.

The fair value of senior secured notes at 30 June 2012 is A$316.788m (2011:A$284.947). Fair value is calculated based on the present value of future principal and interest cash flows, discounted at 13.992%.

The fair value of the convertible bond at 30 June 2012 is A$31.732m (2011: A$nil). Fair value is calculated based on the present value of future principal and interest cash flows, discounted at 17.50%.

27 FINANCIAL INSTRUMENTS (CONTINUED)

(h) Fair value (continued)

(i) Fair value of financial instruments measured at fair value

Gas transportation contract

Midwest Vanadium Pty Ltd ("MVPL") has entered into a contract with a third party for the use of the Midwest Pipeline for the transportation of gas to the Windimurra vanadium project. Under the contract MVPL is required to pay both a reservation charge and for each kilojoule of gas transported.

Included in the payment arrangements for transportation of gas is a variable commodity tariff which changes in relation to the average vanadium pentoxide price achieved during the quarter. The contract represents a non-financial contract containing an embedded derivative. MVPL have designated this hybrid contract as a whole at fair value through the consolidated statement of comprehensive income. At the acquisition date of MVPL, the fair value of the contract was measured at A$nil. As at 30 June 2012, the fair value of contract was measured at A$1.490m (2011:A$nil).

For financial instruments carried at fair value the Group uses various methods in estimating fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in an active market.

Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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 this contract is based on these valuation techniques.

At 30 June 2012, if the vanadium pentoxide 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	
	2012 A$'000	2011 A$'000	2012 A$'000	2011 A$'000
+3%	(1,242)	(1,595)	(1,242)	(1,595)
- 3%	293	518	293	518

Reasonably possible movements in the vanadium pentoxide price were determined based on observations of historical movements in the past two years.

The reasonably possible movement was calculated by taking the vanadium pentoxide price at the acquisition date of MVPL, moving the vanadium pentoxide price by the reasonably possible movements, which resulted in new commodity tariff charges and then multiplying by the gas usage determined at the acquisition date of MVPL over the term of the contract, discounted to present values after tax.

27 FINANCIAL INSTRUMENTS (CONTINUED)

(h) Fair value (continued)

(i) Fair value of financial instruments measured at fair value (continued)

Convertible bond

On 2 March 2012, the Company entered into a convertible bond agreement with Droxford International Limited ("Droxford"). Refer to note 15(iii) for terms and conditions of the convertible bond. Included within the convertible bond agreement is a price reset mechanism, where if the Company issues any equity (other than by way of rights) at a price lower than the convertible bond exercise price, the convertible bond exercise price is reset to the lower price.

At execution of the convertible bond agreement, the fair value of the embedded derivative associated with the convertible bond was A$11.499m. At 30 June 2012, the fair value of the embedded derivative associated with the convertible bond was A$13.157m.

For financial instruments carried at fair value the Group uses various methods in estimating fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in an active market.

Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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 this conversion option is based on these valuation techniques.

At 30 June 2012, if the Company's share 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	
	2012 A$'000	2011 A$'000	2012 A$'000	2011 A$'000
+ 10%	1,897	-	1,897	-
- 10%	(1,897)	-	(1,897)	-

Reasonably possible movements in the Company's share price were determined based on observations of historical movements from the date of execution of the convertible bond contract.

The reasonably possible movement was calculated by updating the share price input in a Black Scholes valuation model, keeping all other variables constant.

28 CAPITAL AND OTHER COMMITMENTS

Operating lease commitments

The Group has entered into a commercial lease to rent office space. The lease has a term of 4 years 5 months with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under the non-cancellable operating lease as at 30 June are as follows:

	2012 A$'000	2011 A$'000
Within one year	637	621
After one year but not more than five years	908	1,566
After more than five years	-	-
Total minimum lease payments	1,545	2,187

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 various State Governments. These obligations are subject to renegotiation when application for 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 2013 for the Group is approximately A$0.400m. This includes the minimum amounts required to retain tenure. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond 2012 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

Capital commitments

The Group had A$4.069m in capital commitments due within one year as at 30 June 2012 in relation to the construction and development of the Windimurra vanadium project.

29 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other than as disclosed elsewhere in this report, the Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2012.

30 AUDITORS' REMUNERATION

The auditor of the Company is Ernst & Young.

	2012 A$	2011 A$
Remuneration of Ernst & Young for:		
Audit or review of the financial report of the entity and any other entity in the consolidated Group	182,250	121,500
Tax planning	113,191	102,559
Assurance services for the senior secured note issue	-	240,046
Transaction advisory services for the senior secured note issue	-	32,960
Remuneration of non-Ernst & Young audit firms:		
Assurance services provided on issue of a prospectus	-	30,000
Audit or review of the financial report of the entity and any other entity in the consolidated Group	-	20,400
	295,441	547,465

31 PARENT ENTITY DISCLOSURES

	2012 A$'000	2011 A$'000
Current assets	7,663	5,756
Non-current assets	110,359	55,640
Total assets	118,022	61,396
Current liabilities	3,483	1,582
Non-current liabilities	32,366	-
Total liabilities	35,849	1,582
Contributed equity	119,738	90,878
Reserves	(4,089)	(2,339)
Accumulated Losses	(33,476)	(28,725)
Total equity	82,173	59,814
Loss for the year	(4,751)	(6,549)
Other comprehensive income	-	-
Total comprehensive loss for the year	(4,751)	(6,549)

The Company has no contingent liabilities, however it has a contractual obligation in the form of a commercial lease to rent office space. Refer to note 28 for further details of the commitment.

32 EVENTS AFTER THE BALANCE SHEET DATE

On 2 July 2012, the Company announced that it had completed the share placement to raise A$10.000m on the same terms and conditions approved by shareholders on 27 April 2012. This share placement was the final component of the funding package announced on 6 March 2012 to raise A$41.700m.

On 6 August 2012, the Company announced a A$50.000m funding facility. The components of this funding facility are as follows:

(1) Binding documentation has been executed for a convertible bond issue to Droxford International Limited, the Company's largest shareholder, for an amount up to A$50.000m. The key terms of this convertible bond are:

Amount: A$30.000m committed, with discretionary, at the holder's election, financing of A$20.000m;

Term: 3 years;

Coupon: 17.5% pa, payable semi-annually in arrears. Payment can be in kind or cash at the holder's election. Payment in kind is defined as 100% payable as new convertible bonds at the issue price, which will be entitled to future coupons;

Ranking: The Company must use its best endeavours to provide security for this convertible bond by way of security from Midwest Vanadium Pty Ltd in favour of the holder. If the Company is unable to fulfil this condition, then the coupon will increase to 22.5%pa;

Conversion Price: A$0.50, a 5% premium to the Company's 10 day VWAP immediately prior to 6 August 2012; and

Conversion: Converted into fully paid ordinary shares at the holder's election at any time.

As a result of execution of this new convertible bond facility, the existing convertible bond facility conversion price has been reset to A$0.50.

Conversion of the March and August 2012 convertible bonds is subject to shareholder and Foreign Investment Review Board approval. If shareholder and Foreign Investment Review Board approval is not received, then the convertible bonds are repayable within 6 months at a premium of their face value plus 35%.

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 2012 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 2012 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 the Consolidated Entity 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 and Chief Financial Officer (or their equivalents) required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

On behalf of the Board

MICHAEL MINOSORA

Managing Director

Dated this 30th day of September 2012

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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 2012, 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an 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.

Basis for Disclaimer of Opinion

As more fully set out in Note 2B to the financial report, the group's ability to continue to meet its debts as and when they fall due is reliant on ongoing funding, management of the group's working capital and achieving the scheduled ramp up of production at the group's Windimurra Vanadium project over the coming months. As at the date of this report, the consolidated entity has limited unrestricted cash and has not received any of the discretionary funding from Droxford.

We have been unable to obtain sufficient appropriate audit evidence as to whether the consolidated entity can achieve the matters set out in Note 2B to the financial report, and thus determine whether it is appropriate to prepare the financial statements on a going concern basis.

Liability limited by a scheme approved under Professional Standards Legislation

GB:JMc:Altantic:011

Disclaimer of Opinion

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Gavin A Buckingham
Partner
Perth
30 September 2012

GB:JMc:ATLANTIC:011

ASX SHAREHOLDER INFORMATION

Additional information as at 30 September 2012 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

154,757,339 fully paid ordinary shares are held by 1,239 individual share holders.

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

(ii) Class B Performance Shares

66 fully paid Class B Performance Shares are held by 12 individual shareholders.

Class B Performance Shares do not participate in dividends and the proceeds on winding up of the company. 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.

(iii) Options

There are no listed options held as at 30 September 2012.

Options do not carry a right to vote.

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

	Fully paid Ordinary shares	Class B Performance shares	Options
1 - 1,000	452	12	-
1,001 - 5,000	299	-	-
5,001 - 10,000	160	-	-
10,001 - 100,000	254	-	-
100,001 and over	74	-	-
	1,239	12	-

2 SUBSTANTIAL SHAREHOLDERS

	Fully paid	
	Number	Percentage
Ordinary shareholders		
DROXFORD INTNL LTD	26,958,333	17.42%
MINOSORA MICHAEL JOHN	21,091,661	13.60%
PROSPEROUS GLOBAL ASSETS LIMITED	13,496,214	8.72%
	61,546,208	39.74%

ASX SHAREHOLDER INFORMATION

3 TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Fully paid	
	Number	Percentage
Ordinary shareholders		
DROXFORD INTNL LTD	26,958,333	17.42%
CITICORP NOM PL	17,614,187	11.38%
MINOSORA MICHAEL JOHN	15,916,969	10.29%
PROSPEROUS GLOBAL ASSETS	13,496,214	8.72%
JP MORGAN NOM AUST LTD	13,381,946	8.65%
NATIONAL NOM LTD	12,261,731	7.92%
HSBC CUSTODY NOM AUST LTD	8,175,835	5.28%
J P MORGAN NOM AUST LTD	4,962,492	3.21%
ATLANTIC INCENTIVE PLAN	4,960,000	3.21%
TRINITY MGNT PL	2,884,951	1.86%
PETERSON, JASON & LISA	2,183,864	1.41%
AMBROSIA EMPIRE LTD	2,154,250	1.39%
BNP PARIBAS NOMS PL	1,823,610	1.18%
HSBC CUSTODY NOM AUST LIM	1,588,580	1.03%
MINOSORA WENDY	1,214,692	0.78%
DWELLERS NOM PL	1,030,000	0.67%
INCONSULTARE PL	640,000	0.41%
INTER CITY DVLMT PL	536,000	0.35%
CONNELLY LADY PATRICIA	500,000	0.32%
SARGOOD PAMELA JULIAN	500,000	0.32%
	132,783,654	85.80%

SCHEDULE OF TENEMENTS

Tenement No	Prospect	Status	Grant date	Expiry date	Conversion	Area	Rent $	Commit $	Rpt/Code
Western Australia									
Exploration									
E 58/113	Windimurra	G	8 Mar 1991		M 58/275-9 (Sec 67)	35.8 km^2	5,421.60	100,000	C 79/1999
E 58/117	Windimurra	G	19 Jan 1992		M 58/279, M 58/282 (Sec 67)	2 blocks	932.40	50,000	C 79/1999
E 58/198	Windimurra	G	18 Apr 1997		M 58/281 (Sec 67)	1 block	466.20	20,000	C 79/1999
Miscellaneous									
L58/27	Stag Well	G	23 Jun 1998	22 Jun 2013		1,675.0 HA	22,277.50	0	
L 58/28	Stag Well	G	23 Jun 1998	22 Jun 2013		790.0 HA	10,507.00	0	
L 58/29	Stag Well	G	12 Nov 1998	11 Nov 2013		46.2 HA	641.55	0	
L 58/30	Windimurra	G	12 Nov 1998	11 Nov 2013		2,275.7 HA	31,067.40	0	
L 58/32	Windimurra	G	3 Jul 2001	2 Jul 2022		202.0 HA	2,757.30	0	
L 58/35	Windimurra	G	12 Jun 2009	11 Jun 2030		670.0 HA	335.00	0	
Mining									
M 58/178	Windimurra	G	12 Jul 1991	11 Jul 2033		966.9 HA	14,891.80	96,700	C 79/1999
M 58/275	Windimurra	A	5 Mar 1998	Appl'n		990.0 HA	0.00	0	
M 58/276	Windimurra	A	5 Mar 1998	Appl'n		996.6 HA	0.00	0	
M 58/277	Windimurra	A	5 Mar 1998	Appl'n		905.1 HA	0.00	0	
M 58/278	Windimurra	A	5 Mar 1998	Appl'n		970.9 HA	0.00	0	
M 58/279	Windimurra	G	4 Jun 1999	3 Jun 2020		835.9 HA	12,874.40	83,600	C 79/1999
M 58/280	Windimurra	G	4 Jun 1999	3 Jun 2020		534.6 HA	8,239.00	53,500	C 79/1999
M 58/281	Windimurra	A	5 Mar 1998	Appl'n		157.3 HA	0.00	0	
M 58/282	Windimurra	A	5 Mar 1998	Appl'n		71.7 HA	0.00	0	

STATUS REFERENCES:

A – Application G – Granted

NOTES:

All minimum exploration expenditure commitments on the tenements, as per above, have been met by the Company due to expenditure on exploration, resource development and infrastructure development associated with the Project over the last year.

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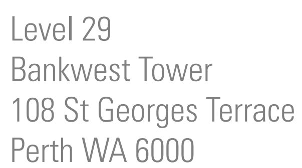

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