

27 May 2013

INTERIM FINANCIAL REPORT – ATLANTIC VANADIUM HOLDINGS PTY LTD

Please find attached the consolidated interim financial report for Atlantic Vanadium Holdings Pty Ltd (**AVHPL**) for the period ended 31 March 2013.

AVHPL is a wholly-owned subsidiary of Atlantic Ltd (**Atlantic**) and owns 100% of the issued capital of Midwest Vanadium Pty Ltd (**MVPL**). MVPL owns the Windimurra vanadium project.

These accounts are unaudited and have been released to the Security Trustee for MVPL's senior secured notes to comply with the ongoing reporting requirements under the senior secured notes indenture.

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About Atlantic

Atlantic is committed to building a diversified portfolio of world class resources assets that will provide superior returns to shareholders.

Atlantic combines its strong financing capability with a highly disciplined and innovative approach to acquire resources projects that are low cost, long life and near production.

Atlantic subsidiary Midwest Vanadium Pty Ltd owns 100% of the Windimurra vanadium project, located approximately 600 kilometres north of Perth in Western Australia. Windimurra hosts one of the largest proven vanadium reserves in the world.

Additional information on Atlantic can be found at www.atlantictld.com.au.

ATLANTIC VANADIUM HOLDINGS PTY LTD

A.C.N. 143 559 880

INTERIM UNAUDITED FINANCIAL REPORT

For the period ended 31 March 2013

INTERIM UNAUDITED FINANCIAL REPORT

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MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

The following management discussion and analysis for Atlantic Vanadium Holdings Pty Ltd (“AVHPL” or the “Company”) and its controlled entity Midwest Vanadium Pty Ltd (“MVPL”) (collectively the “Group” or the “Consolidated Entity”) should be read in conjunction with the Consolidated Interim Financial Statements for the period ended 31 March 2013. The effective date of this report is 27 May 2013.

The financial information presented in this management discussion and analysis has been extracted from the attached financial statements.

FORWARD LOOKING STATEMENTS

Some of the statements contained in this management discussion and analysis, including those relating to strategies and other statements, are predictive in nature, and depend upon or refer to future events or conditions, or include such words as “expects”, “intends”, “plans”, “anticipates”, “believes”, “estimates”, “forecasts” or similar expressions that are forward looking statements. Forward looking statements include, without limitation, the information concerning possible or assumed further results of operations as set forth herein. These statements are not historical facts but instead represent only expectations, estimates and projections regarding future events and are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally.

The forward looking statements contained in this management discussion and analysis are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results of the Group may differ materially from those expressed in the forward looking statements contained in this management discussion and analysis due to, among other factors, the risks and uncertainties inherent in the business of the Group. The Group does not undertake any obligation to update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this management discussion and analysis or to reflect the occurrence of anticipated events.

DOLLAR AMOUNTS

All dollar amounts shown in this management discussion and analysis and this Consolidated Interim Financial Report are in Australian dollars unless otherwise stated.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

REVIEW AND RESULTS OF OPERATIONS

Highlights

- Operating focus on resolving the last non-performing part of the Windimurra production facility, the beneficiation plant within the CMB circuit
- New funding facility totalling approximately A\$28.5 million secured by Atlantic Ltd, with Atlantic Ltd agreeing to contribute these funds to the Group as new equity
- Agreement reached with majority of the holders of MVPL's senior secured notes on terms to reduce the minimum holding requirement of the interest reserve account
- Further research and development reimbursement claim for the current financial year being advanced with near term pre-payment financing being investigated

The Group recorded a net loss after tax for the quarter ended 31 March 2013 of A\$4.318m (2012: net profit after tax of A\$7.067m).

Production and Sales

The Group produced and sold the following vanadium volume from its wholly-owned Windimurra vanadium project ("Windimurra") during the quarter:

	March Quarter (tonnes contained vanadium)
Vanadium billet production	15.6
Vanadium sales	0.0

Windimurra Operations Update

During the March quarter, the focus of operations was to resolve the last non-performing part of the Windimurra production facility, the beneficiation plant within the crushing, milling and beneficiation ("CMB") circuit.

With increased throughput, significant design and construction failures were highlighted with the beneficiation plant.

A detailed action plan to resolve these failures is now being implemented with an estimated topline cost of A\$3.0 million. A flow-on benefit of the resolution of the beneficiation plant deficiencies is a very significant simplification of the CMB plant.

These works are expected to be completed in May/June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

Safety

The Group maintained an excellent safety record during the quarter, however recorded two lost time injuries. The Group is committed to maintaining strong safety practices at Windimurra.

Personnel

The addition of operations staff continued during the quarter. A streamlining of the Group management structure was also initiated.

Vanadium Marketing

Ferrovandium pricing remained at robust levels during the quarter.

The mid-point Ryan's Notes price for vanadium in the North American market at the date of this report is US\$29.54 per kilogram of contained vanadium.

The mid-point London Metal Bulletin price for vanadium in the European market at the date of this report is US\$27.85 per kilogram of contained vanadium.

Exploration and Resource Development

The Group undertook no exploration activities during the quarter.

Iron Ore

All regulatory and statutory approvals have been well advanced for the full logistics chain which will allow the Group to begin shipments of iron ore.

Logistics services for truck haulage of iron ore fines from Windimurra to Geraldton Port and for warehousing at the port have been agreed.

Subject to iron ore prices remaining robust, it is anticipated shipments of iron ore fines will commence in mid-2013.

Business Development

During the quarter, the Group continued to work on two separation projects that are targeting unlocking value for the Windimurra project's titanium dioxide ("TiO₂") and iron ore. These projects include:

1. Pyrometallurgical separation test work on the Windimurra projects iron ore by-product to produce TiO₂ and iron concentrate. This test work is being scoped for follow up work in Australia.
2. Gravity separation and magnetic separation test work on the Windimurra projects iron ore by-product has been completed on two types of the Group's ore. This laboratory work has produced a marketable TiO₂ concentrate. Follow-up work is underway to assess potential yields.

Additionally, this separation work will potentially allow the Group to achieve a better recovery of vanadium from the Windimurra plant.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

CORPORATE ACTIVITY

Funding

The following funding activities were undertaken by the Group subsequent to the end of the quarter:

1. Atlantic Ltd ("Atlantic") agreed a new unsecured short term funding facility in the amount of approximately A\$28.5 million. This facility was fully drawn down after period end.

The facility has been provided by Droxford International Limited, Atlantic's largest shareholder. Atlantic agreed to contribute these funds to the Group as new equity.

2. MVPL executed an agreement with the majority of the holders of its US\$335 million face value 11.5% per annum senior secured notes ("Notes") due February 2018 on the terms to reduce the minimum holding requirement of the Group's interest reserve account ("IRA") to nil.

This agreement addresses the technical breach of the indenture covenant which required the Group to hold no less than US\$14.3 million in the IRA at all times. Atlantic announced to the market on 18 February 2013 that this IRA requirement had been breached following the February coupon payment on the Notes.

Amendments to the indenture agreed with the majority of the holders of the Notes were subsequently approved in a formal note holder consent process in May.

3. The Group recently submitted an amendment to the research and development reimbursement claim for the financial year ended 30 June 2012. To date, the Group has received A\$22.2 million in reimbursements for the 2012 financial year, and as a result of the amendment lodged with the Australian Taxation Office expects to receive a further A\$2.1 million reimbursement.

In addition, the Group has established it will be entitled to a further research and development reimbursement claim for work associated with bringing Windimurra into operation during the current financial year. A bank financing arrangement is being investigated that provides a pre-payment of this amount during the current quarter.

Together, these initiatives will provide further working capital for the ongoing ramp-up of production at the Windimurra vanadium project.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 31 March 2013 A\$'000	3 months ended 31 March 2012 A\$'000	Year to date 31 March 2013 A\$'000	Year to date 31 March 2012 A\$'000
Revenue from sales	-	-	-	-
Costs of production	-	-	-	-
Other operating costs	(1,471)	(780)	(4,227)	(2,055)
Net other revenue, income and expenses	(2,392)	8,170	(2,991)	(1,202)
Finance expenses	(455)	(323)	(1,280)	(733)
Tax expense	-	-	-	-
Net results	<u>(4,318)</u>	<u>7,067</u>	<u>(8,498)</u>	<u>(3,990)</u>

Quarter ended 31 March 2013

“Other operating expenses” consists of royalty expense of A\$0.005m, operational support costs of A\$1.116m, selling and distributing costs of A\$0.128m and carbon tax expense of A\$0.223m.

“Net other revenue, income and expenses” consists primarily of interest income of A\$0.157m, net realised and unrealised foreign exchange losses of A\$0.081m and the fair value adjustment of the gas transportation derivative of A\$2.469m. Foreign exchange gains/(losses) associated with the Notes have been capitalised in line with international financial reporting standards.

“Finance expenses” consist of the unwinding of the rehabilitation provision of A\$0.307m, interest associated with insurance premium funding of A\$0.065m and accrued interest on intercompany trade creditors with Atlantic of A\$0.082m. Borrowing costs including foreign exchange gains/(losses) and interest expense associated with the Notes have been capitalised in line with international financial reporting standards as the Windimurra vanadium project meets the definition of a qualifying asset.

9 months ended 31 March 2013

“Other operating expenses” consists of royalty expense of A\$0.034m, operational support costs of A\$3.367m, selling and distributing costs of A\$0.228m and carbon tax expense of A\$0.599m.

“Net other revenue, income and expenses” consists of interest income of A\$0.478m, net realised and unrealised foreign exchange losses of A\$0.698m and the fair value adjustment of the gas transportation derivative of A\$2.771m. Foreign exchange gains/(losses) associated with the Notes have been capitalised in line with international financial reporting standards.

“Finance expenses” consist of the unwinding of the rehabilitation provision of A\$0.957m, interest associated with insurance premium funding of A\$0.080m and accrued interest on intercompany trade creditors with Atlantic of A\$0.242m. Borrowing costs including foreign exchange gains/(losses) and interest

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

expense associated with the Notes were capitalised during the period in line with international financial reporting standards as the Windimurra vanadium project meets the definition of a qualifying asset.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

STATEMENT OF FINANCIAL POSITION

	31 March 2013 A\$'000	30 June 2012 A\$'000
Cash and cash equivalents	19	24,080
Trade and other receivables	9,897	11,188
Inventory	12,611	9,935
Other current assets	2,282	3,114
Property, plant and equipment	510,130	456,722
Financial derivative asset	-	1,490
Trade and other payables	(29,677)	(42,451)
Loans and borrowings	(312,271)	(317,118)
Financial derivative liability	(1,281)	-
Provisions	(31,578)	(34,582)
Net Assets	160,132	112,378

As at 31 March 2013

“Cash and cash equivalents” at 31 March 2013 consist of cash at bank of \$0.019m.

“Trade and other receivables” are primarily made up of cash backed unconditional performance bonds guaranteed by a financial institution of A\$8.856m, GST receivables of A\$0.445m and natural gas sales receivables of A\$0.484m

“Inventory” consists of warehouse inventory of A\$11.540m including reagents, diesel fuel and consumables, and ferrovandium final product inventory of A\$1.070m.

“Other current assets” is primarily made up of gas transportation prepayments of A\$0.267m and prepaid insurance of A\$2.014m.

“Property, plant and equipment” consists of the carrying value of assets at 30 June 2012 of A\$456.722m, additions for the period of A\$59.486m, capitalised borrowing costs of A\$21.353m, offset by the research and development tax claim of A\$22.632m and a reduction to the rehabilitation asset of A\$4.799m. Management continues to assess the carrying value of property, plant and equipment in accordance with international financial reporting standards.

“Trade and other payables” primarily relate to liabilities incurred and accrued in relation to the commissioning and operation of the Windimurra vanadium project of A\$25.037m and interest accruals for the senior secured notes of A\$4.641m.

“Financial derivative liability” is the fair value liability as at 31 March 2013 of the gas transportation contract that MVPL has with a third party for the use of the Midwest gas pipeline for the transportation of gas to the Windimurra Vanadium project.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

“Loans and borrowings” primarily consist of the US\$335.000m Notes. The carrying value of the Notes is calculated by using the amortised cost method and the netting off of transaction costs of A\$14.966m. Hire purchase liabilities of A\$1.506m are also included in loans and borrowings at the balance sheet date.

“Provisions” consist of a rehabilitation provision of A\$27.740m, which represents the present value estimate of costs required to rehabilitate the Windimurra vanadium project, an acquisition levy related to the acquisition of MVPL of A\$2.312m, an annual leave provision of A\$0.926m and a carbon tax provision of A\$0.598m.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

STATEMENT OF CHANGES IN EQUITY

	Ordinary shares A\$'000	Equity contribution reserve A\$'000	Retained earnings A\$'000	Total A\$'000
Balance as at 31 March 2013	105,801	55,424	(1,094)	160,131
Balance as at 31 March 2012	31,511	55,081	14,848	101,440

“Ordinary shares” consists of 111,185,040 fully paid ordinary shares of A\$1.00 each. During the nine months ended 31 March 2013, the Company issued 58,733,929 fully paid ordinary shares to its parent company Atlantic at A\$1.00 each. In addition, capital raising fees of A\$2.764m are also netted off against ordinary shares.

“Equity contribution reserve” consists of the A\$34.000m loan forgiveness and a A\$19.740m investment contribution from Atlantic to MVPL. In addition, this balance includes A\$0.906m relating to the tax effected imputed contribution for the loans from Atlantic to MVPL from September 2010 to February 2011, a A\$0.434m MVPL acquisition cost contribution from Atlantic and a A\$0.344m share based payment contribution from Atlantic.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

STATEMENT OF CASH FLOWS

	3 Months ended 31 March 2013	3 Months ended 31 March 2012	9 months ended 31 March 2013	9 months ended 31 March 2012
	A\$'000	A\$'000	A\$'000	A\$'000
Operating cash flows	(1,087)	1,175	(2,975)	(29,121)
Investing cash flows	(34,401)	(48,414)	(80,236)	(96,933)
Financing cash flows	4,610	26,474	59,769	33,708
Opening cash	30,870	45,843	24,080	114,155
Exchange rate adjustment	27	(1,600)	(619)	1,669
Closing Cash	19	23,478	19	23,478

Quarter ended 31 March 2013

“Operating cash flows” are made up of payments to suppliers and employees of A\$1.239m offset by interest revenue of A\$0.152m.

“Investing cash flows” primarily relate to payments for property, plant and equipment for the Windimurra vanadium project of A\$16.432m and interest payments associated with the senior secured notes of A\$18.672m offset by \$0.704m of ferrovanadium sales which have been capitalised.

“Financing cash flows” consist of proceeds from the issue of shares to Atlantic of A\$3.489m and proceeds from borrowings of \$3.048m offset by repayment of borrowings of A\$1.542m and a reduction in ferrovanadium product financing of A\$0.385m.

“Exchange rate adjustments” refer to the revaluation of the US\$ cash balances into A\$. This is a gain as a consequence of the strengthening of the A\$:US\$ exchange rate during the period reducing the US\$ Notes liability.

Nine months ended 31 March 2013

“Operating cash flows” are primarily made up of payments to suppliers and employees of A\$3.565m offset by interest revenue of A\$0.590m.

“Investing cash flows” primarily relate to payments for property, plant and equipment for the Windimurra vanadium project of A\$66.626m and interest payments associated with the senior secured notes of A\$36.946m offset by a research and development refund of \$22.631m.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

“Financing cash flows” primarily consist of proceeds from the issue of shares to Atlantic Ltd of A\$58.744m, proceeds from borrowings of \$3.048m and ferrovanadium final product financing of A\$0.617m offset by a repayment of borrowings of A\$2.671m.

“Exchange rate adjustments” refer to the revaluation of the US\$ cash balances into A\$. This is negative as a consequence of the weakening of the A\$:US\$ exchange rate during the period.

FINANCIAL INSTRUMENTS

Cash and Cash Equivalents are held in short term interest bearing cash accounts with AA- and A+ credit rated Australian banks.

Trade and Other Receivables are all non interest bearing and primarily relate to GST receipts which are primarily AAA credit rated, gas receipts with major international organisations rated BB+ or better and performance bond deposits held in long term interest bearing cash accounts with AA- credit rated Australian banks.

Trade and Other Payables are all short term and non interest bearing.

Loans and Borrowings consist of short term insurance premium funding and the US\$335.000m senior secured notes. The Notes have a current interest rate of 11.5% per annum and a maturity of 15 February 2018.

Interest rate risk arises from cash and cash equivalents and loans and borrowings. The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to the potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Interest rate risk is mitigated through the use of fixed interest loans and borrowings and cash investment strategies with both short and long term maturities.

Foreign currency risk refers to the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Group's primary exposure is to the US\$:A\$ exchange rate as revenues from the Windimurra vanadium project are received in US\$ and expenses incurred are mainly in A\$. Foreign exchange risk is mitigated through US\$ outflows in the form of interest payments and some Windimurra vanadium project expenses (for example soda ash reagent) as well as holding US\$ cash balances where possible.

The Group does not engage in any hedging or derivative transactions to manage interest rate or foreign exchange risks.

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. Credit risk predominately arises from cash deposits with banks and financial institutions and receivables from statutory authorities and major international organisations.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 31 March 2013

The Group manages its capital to ensure that all entities within the Group are able to continue as a going concern while maximising the return to stakeholders through the management of debt and equity balances.

SUBSEQUENT REPORTING TO BALANCE DATE

Consistent with the reporting obligations of Atlantic, the following disclosures have been made by Atlantic to the Australian Securities Exchange subsequent to 31 March 2013 which should be read in conjunction with this report:

- Atlantic Ltd – Comprehensive Package of Funding, reported on 16 April 2013
- Atlantic Ltd – Quarterly Activities Report, reported on 18 April 2013
- Atlantic Ltd – Response to ASX Query, reported on 22 April 2013
- Atlantic Ltd – Quarterly Cashflow Report, reported on 30 April 2013
- Atlantic Ltd – Funding Initiatives Successfully Concluded, reported on 1 May 2013
- Atlantic Ltd – Monthly Production and Sales Report, reported on 20 May 2013.

EVENTS SUBSEQUENT TO BALANCE DATE

On 16 April 2013, Atlantic announced a new unsecured short term funding facility in the amount of approximately A\$28.5 million. The facility was fully drawn down after period end. The facility has been provided by Droxford International Limited, Atlantic's largest shareholder. Atlantic agreed to contribute these funds to the Group as new equity.

MVPL executed an agreement with the majority of the holders of its Notes to reduce the minimum holding requirement of the Group's IRA to nil for an agreed period. This agreement addresses the technical breach of the indenture covenant which required the Group to hold no less than US\$14.3 million in the IRA at all times. Amendments to the indenture agreed with the majority of the holders of the Notes were subsequently approved in a formal note holder consent process in May.

ROUNDING

The amounts contained in this Consolidated Interim 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2013

		3 months ended 31 March 2013 A\$'000	3 months ended 31 March 2012 A\$'000	Year to date 31 March 2013 A\$'000	Year to date 31 March 2012 A\$'000
	Note				
Continuing operations					
Revenue from sales		-	-	-	-
Costs of production		-	-	-	-
Gross profit/(loss) before depreciation, amortisation and other operating costs		-	-	-	-
Depreciation and amortisation		-	-	-	-
Other operating costs	3	(1,471)	(780)	(4,227)	(2,055)
Gross loss		(1,471)	(780)	(4,227)	(2,055)
Other revenue	3	157	200	478	298
Other income	3	-	7,970	415	-
Other expenses	3	(2,550)	-	(3,883)	(1,500)
Profit/(loss) before interest and tax		(3,863)	7,390	(7,218)	(3,257)
Finance expenses	3	(455)	(323)	(1,280)	(733)
Profit/(loss) before tax		(4,318)	7,067	(8,498)	(3,990)
Tax expense		-	-	-	-
Profit/(loss) after tax		(4,318)	7,067	(8,498)	(3,990)
Other comprehensive income		-	-	-	-
Total comprehensive profit/(loss) for the period		(4,318)	7,067	(8,498)	(3,990)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	31 March 2013 A\$'000	30 June 2012 A\$'000
Assets			
Current Assets			
Cash and cash equivalents	5	19	24,080
Trade and other receivables		1,041	2,332
Inventory		12,611	9,935
Other current assets		2,282	3,114
Total Current Assets		15,953	39,461
Non-Current Assets			
Trade and other receivables		8,856	8,856
Property, plant and equipment	6	510,130	456,722
Financial derivative asset		-	1,490
Total Non-Current Assets		518,986	467,068
Total Assets		534,939	506,529
Liabilities			
Current Liabilities			
Trade and other payables		29,676	42,451
Loans and borrowings		2,190	1,128
Provisions		3,838	3,000
Total Current Liabilities		35,704	46,579
Non-Current Liabilities			
Loans and borrowings		310,081	315,990
Financial derivative liability		1,281	-
Provisions		27,741	31,582
Total Non-Current Liabilities		339,103	347,572
Total Liabilities		374,807	394,151
Net Assets		160,132	112,378
Equity			
Contributed equity	7	105,801	49,791
Reserves		55,424	55,183
Retained earnings		(1,093)	7,404
Total Equity		160,132	112,378

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 period ended 31 March 2013

	Ordinary shares A\$'000	Equity contribution reserve A\$'000	Retained earnings A\$'000	Total A\$'000
Balance as at 1 July 2012	49,791	55,183	7,404	112,378
Loss for the period	-	-	(8,498)	(8,498)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(8,498)	(8,498)
Transactions with owners in their capacity as owners:				
Shares issued	58,774	-	-	58,774
Transaction costs on shares issued	(2,764)	-	-	(2,764)
Contribution from holding company (net of tax)	-	241	-	241
Balance as at 31 March 2013	105,801	55,424	(1,094)	160,131

	Ordinary shares A\$'000	Equity contribution reserve A\$'000	Retained earnings A\$'000	Total A\$'000
Balance as at 1 July 2011	11	55,177	18,838	74,026
Loss for the period	-	-	(3,990)	(3,990)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,990)	(3,990)
Transactions with owners in their capacity as owners:				
Shares issued	31,500	-	-	31,500
Contribution from holding company (net of tax)	-	(96)	-	(96)
Balance as at 31 March 2012	31,511	55,081	14,848	101,440

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2013

		9 months ended 31 March 2013 A\$'000	9 months ended 31 March 2012 A\$'000
	Note		
Cash flows from Operating Activities			
Payments to suppliers and employees		(3,564)	(4,521)
GST received		-	11,235
Interest received		590	795
Interest paid		-	(36,630)
Net cash flows used in Operating Activities	8	(2,975)	(29,121)
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(66,626)	(96,933)
Sales proceeds capitalised		704	-
Research and development incentive refund		22,632	-
Interest paid		(36,946)	-
Net cash flows used in Investing Activities		(80,236)	(96,933)
Cash flows from Financing Activities			
Proceeds from issue of shares		58,774	31,500
Advances for product financing		618	-
Proceeds from borrowings		3,049	3,596
Repayment of borrowings		(2,671)	(1,388)
Net cash flows from Financing Activities		59,769	33,708
Net increase/(decrease) in cash and cash equivalents		(23,441)	(92,346)
Cash and cash equivalents at beginning of the period		24,080	114,155
Net foreign exchange differences		(619)	1,669
Cash and cash equivalents at end of the period	5	19	23,478

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

1 CORPORATE INFORMATION

The Consolidated Interim Financial Report of Atlantic Vanadium Holdings Pty Ltd (the "Company") and its controlled entity Midwest Vanadium Pty Ltd ("the Group" or the "Consolidated Entity") for the period ended 31 March 2013 was authorised for issue in accordance with a resolution of the Directors on 27 May 2013.

The financial year end of the Company is 30 June.

The ultimate parent entity of the Company is Atlantic Ltd ("Atlantic"), a company listed on the Australian Securities Exchange ("ASX").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation

This unaudited special purpose condensed financial report for the period ended 31 March 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The Consolidated Interim Financial Report does not include the full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as an annual financial report.

It is recommended that this Consolidated Interim Financial Report be read in conjunction with the audited Special Purpose Financial Report of the Group for the year ended 30 June 2012 and any public announcements made by Atlantic during the period ended 31 March 2013 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The Consolidated Interim Financial Report has been prepared on an accrual basis and is based on historical costs.

The report is presented in Australian dollars (unless otherwise stated) 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.

Apart from the changes in accounting policy noted below (Note 2C), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

B Going Concern

The Group held cash on hand at 31 March 2013 of A\$0.019m.

The Group had trade and other payables at 31 March 2013 of A\$29.676m. Included within this trade and other payables amount is A\$4.641m in interest accruals associated with the August 2013 interest payment on the Notes. The balance of trade and other payables is A\$25.035m.

There was insufficient cash on hand at 31 March 2013 to meet the trade and other payables commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B Going Concern (continued)

During the period and subsequent to period end, the Group has met its working capital requirements from equity funds raised and provided by Atlantic, the Group's ultimate parent entity, and other initiatives. This included:

- Finalisation of Atlantic Ltd's fund raising announced in March 2012 in July 2012 raising A\$10.000m;
- Issue of A\$50.000m Class B convertible bonds to Atlantic Ltd's largest shareholder, Droxford International Limited ("Droxford"), as announced on 3 August 2012 and completed in October 2012;
- Approvals from the majority of the holders of the Notes to access US\$9.900m of the Group's existing restricted cash in November 2012;
- Receipt of A\$22.148m cash in December 2012 of a Research and Development claim under the Australian Government's Research and Development Incentive Scheme;
- Atlantic executing a Promissory Note funding arrangement with Droxford to raise approximately A\$28.500m in April 2013; and
- Approval from the Note holders on the terms for a reduction in the minimum holding requirement in its interest reserve account to nil.

The Directors are satisfied that the Group will continue to operate as a going concern and base this view on the following factors:

- Production at the Windimurra vanadium project is scheduled to ramp up over the coming months;
- The Group's ability to make a further reimbursement claim under the Australian Government's Research and Development Incentive Scheme for the year ending 30 June 2013;
- The Group's ability to continue to manage its working capital; and
- Atlantic Ltd's ongoing support including its ability to raise further capital if 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, Windimurra has not yet met production targets;
- Managing the Group's working capital requirements during the production ramp up;
- Atlantic Ltd's ongoing support including its ability to raise further capital if required;
- Fluctuations in commodity prices; and
- Instability in debt and equity markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B Going Concern (continued)

Should the Group not be able to manage the inherent uncertainties referred to above 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 achieve the factors as set out above 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 have been adopted from 1 July 2012.

- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 12], effective 1 January 2012; and
- 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 and 1049], effective 1 July 2012.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

3 REVENUE AND EXPENSES

	3 months ended 31 March 2013 A\$'000	3 months ended 31 March 2012 A\$'000	Year to date 31 March 2013 A\$'000	Year to date 31 March 2012 A\$'000
Other operating costs				
Royalty expenses	5	-	34	-
Operational support costs	1,116	780	3,367	2,055
Selling and distribution costs	128	-	228	-
Carbon tax expense	223	-	599	-
	<u>1,471</u>	<u>780</u>	<u>4,227</u>	<u>2,055</u>
Other revenue				
Interest	157	200	478	298
	<u>157</u>	<u>200</u>	<u>478</u>	<u>298</u>
Other income				
Realised foreign exchange gains	-	-	415	-
Unrealised foreign exchange gains	-	7,970	-	-
	<u>-</u>	<u>7,970</u>	<u>415</u>	<u>-</u>
Other expenses				
Unrealised foreign exchange loss	13	-	1,112	1,500
Realised foreign exchange loss	68	-	-	-
Fair value through profit and loss	2,469	-	2,771	-
	<u>2,550</u>	<u>-</u>	<u>3,883</u>	<u>1,500</u>
Finance expenses				
Interest expense - senior secured notes (i)	-	65	-	65
Interest expense - finance leases and other borrowings	65	112	80	112
Interest expense - related party	82	-	242	-
Unwinding of the discount of the rehabilitation provision	307	146	957	556
	<u>455</u>	<u>323</u>	<u>1,280</u>	<u>733</u>

(i) As at 31 March 2013, borrowing costs including foreign exchange gains and losses, interest income and interest expense associated with the senior secured notes of A\$21.353m has been capitalised in accordance with International Financial Reporting Standards. As at 31 March 2013, the Windimurra vanadium project is considered a qualifying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

4 DIVIDENDS

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

5 CASH AND CASH EQUIVALENTS

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

	31 March 2013 A\$'000	31 March 2012 A\$'000
Current cash and cash equivalents		
Cash at bank and on hand	19	23,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

6 PROPERTY, PLANT AND EQUIPMENT

	Site plant & equipment A\$'000	Leased assets A\$'000	Office equipment A\$'000	Assets under construction A\$'000	Mine properties and development A\$'000	Total A\$'000
At 1 July 2012 net of accumulated depreciation	125,194	-	97	297,563	33,868	456,722
Additions	-	-	-	59,358	128	59,486
Borrowing costs capitalised	-	-	-	21,353	-	21,353
Research and development claim	-	-	-	(22,632)	-	(22,632)
Change in rehabilitation provision	-	-	-	-	(4,799)	(4,799)
Depreciation charge for the period	(243)	-	(31)	275	-	-
At 31 December 2012 net of accumulated depreciation	124,951	-	66	355,917	29,197	510,131
At 31 March 2013						
Cost	125,766	-	179	355,917	29,197	511,059
Accumulated depreciation	(815)	-	(113)	-	-	(928)
Net carrying amount	124,951	-	66	355,917	29,197	510,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Site plant & equipment A\$'000	Leased assets A\$'000	Office equipment A\$'000	Assets under construction A\$'000	Mine properties and development A\$'000	Total A\$'000
At 1 July 2011 net of accumulated depreciation	125,309	129	68	137,452	17,686	280,644
Additions	80	-	81	121,317	917	122,395
Transfers	160	(160)	-	-	-	-
Disposals	-	-	-	(3,154)	-	(3,154)
Borrowing costs capitalised	-	-	-	41,572	-	41,572
Change in rehabilitation provision	-	-	-	-	15,265	15,265
Depreciation charge for the period	(355)	31	(52)	376	-	-
At 30 June 2012 net of accumulated depreciation	125,194	-	97	297,563	33,868	456,722
At 30 June 2012						
Cost	125,766	-	179	297,563	33,868	457,376
Accumulated depreciation	(572)	-	(82)	-	-	(654)
Net carrying amount	125,194	-	97	297,563	33,868	456,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2013

7 ISSUED CAPITAL

During the nine month period ended 31 March 2013, the Company issued 58,773,929 fully paid ordinary shares to its parent company Atlantic at \$1.00 each.

8 CASH FLOW STATEMENT RECONCILIATION

Reconciliation of loss after income tax for the period to net cash flows used in operations:

	9 months ended 31 March 2013 A\$'000	9 months ended 31 March 2012 A\$'000
Loss after income tax	(8,498)	(3,990)
<i>Adjustments for:</i>		
Net foreign exchange gains	1,112	2,908
Unwinding of the discount of the rehabilitation provision	957	556
Stamp duty	-	(169)
Share based payments	241	(96)
Fair value of derivative	2,771	-
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(9)	11,568
(Increase)/decrease in inventory	(149)	(4,459)
Increase/(decrease) in trade and other payables	599	(35,704)
Increase/(decrease) in provisions	-	265
Net cash used in operating activities	<u>(2,975)</u>	<u>(29,121)</u>

9 EVENTS AFTER THE REPORTING PERIOD

The following events occurred subsequent to the end of the quarter:

- Atlantic announced a new unsecured short term funding facility in the amount of approximately A\$28.5 million. The facility was fully drawn down after period end. The facility has been provided by Droxford International Limited, Atlantic's largest shareholder. Atlantic agreed to contribute these funds to the Group as new equity.
- MVPL executed an agreement with the majority of the holders of its Notes to reduce the minimum holding requirement of the Group's IRA to nil for an agreed period. This agreement addresses the technical breach of the indenture covenant which required the Group to hold no less than US\$14.3 million in the IRA at all times. Amendments to the indenture agreed with the majority of the holders of the Notes were subsequently approved in a formal note holder consent process in May.

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes of the Consolidated Entity for the period ended 31 March 2013 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2013 and of its performance for the period ended on that date.
2. Subject to the matters described in Note 2(B), there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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



TONY VEITCH

Director

Dated this 27th day of May 2013