# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2014

# CONTENTS

# HIGHLIGHTS TO JUNE 2014

## MEYGEN PROJECT

- In September, MeyGen achieved financial close of a £51 million funding package for delivery of the first 6 MW stage of the project, Phase 1A. The funding syndicate includes Atlantis, the UK government's Department of Energy & Climate Change, The Crown Estate, Scottish Enterprise (through the Renewable Energy Investment Fund), and Highlands and Islands Enterprise
- MeyGen has also entered into supply and construction contracts for Phase 1A, including turbine supply contracts with Atlantis and Andritz Hydro Hammerfest (UK) Limited for a total of four 1.5 MW tidal turbines

## TURBINE TECHNOLOGY

- In March, Atlantis and Lockheed Martin Corporation formally commenced the AR1500 turbine detailed design programme, which is due for completion at the end of the year. This includes the systems integration scope for all the turbine sub-assemblies
- During March, Atlantis also completed a consulting contract for Carnegie Wave Energy Ltd for initial analysis of array configurations to reduce cost of energy, and has agreed a second phase of work for commencement in August 2014

## OTHER PROJECTS

- Atlantis continues to work with Lockheed Martin and the Fundy Ocean Research Centre for Energy in pursuit of development opportunities in Canada
- Atlantis has reached agreement with the Energy Technologies Institute for commencement of the £7.5 million Phase 2 of the Tidal Energy Converter project, which will involve detailed design and demonstration of the innovative concepts identified in Phase 1

## CORPORATE

- In February, Atlantis successfully completed its listing and initial public offering on AIM, raising £12 million
- Also in February, Atlantis announced that it had been awarded €7.7 million for the development of a multi-turbine array using Atlantis' AR1500 turbine at the MeyGen site, following a grant application to the European Commission's Seventh Framework Programme during 2013
- In July, Atlantis formally opened its new Edinburgh office, from where it will deliver the MeyGen project and build a projects and engineering hub. This has been supported through a £2 million loan from Scottish Enterprise, through its Renewable Energy Investment Fund

# CHAIRMAN'S STATEMENT

The first 6 months of 2014 have seen the achievement of some significant milestones across the Atlantis group. In February, we became the world's first tidal energy company to float on London's AIM exchange, raising £12 million in our initial public offering. In the same month we announced grant funding support of €7.7 million through the European Commission towards the development of a multi-turbine array using Atlantis' turbines on the MeyGen site, and the entry into a £2 million loan from Scottish Enterprise's Renewable Energy Investment Fund. The latter was provided in support of the opening of our new office in Edinburgh, where we have now established the MeyGen project team. This office will serve as our technology and projects hub for the group.

September heralded a seminal moment for Atlantis and the tidal power industry when we achieved financial close for a £51 million funding package for Phase 1A of the MeyGen project. We have also reached agreement to continue into the detailed design and demonstration phase of the Energy Technology Institute's Tidal Energy Converter project, which will ensure that Atlantis remains at the forefront of tidal energy technology development. This represents a £7.5 million investment by the ETI.

I look forward to providing you with further updates in the coming months as we progress with construction of the MeyGen project, marking the next stage in Atlantis' and the tidal power industry's development.

**John Neill**
*Chairman*

24 September 2014

# BUSINESS UPDATE

2014 has been an exciting year to date, notably marking our transition to a public company and celebrating the finalisation of a £51 million funding package for the world's first full scale tidal stream array. The commencement of construction on Phase 1A of the MeyGen array in the second half of this year will be the culmination of over 5 years of origination and development effort to realise this project. The broad support the company has received through this process is reflected in the diversity of our funding syndicate, which includes the UK government, Scottish Enterprise, The Crown Estate, and Highlands and Islands Enterprise. We look forward to providing further updates as we progress with the works on site.

The technology side of our business has also made headway so far this year, with formal commencement of the AR1500 detailed design contract with Lockheed Martin in March. We have been working with key subcontractors to agree terms for long lead components in readiness to deliver the first turbine to MeyGen next year, and we're also preparing for commencement of the detailed design phase of the ETI's Tidal Energy Converter project, scheduled to commence in Q3 2014.

## SUMMARY OF RESULTS

The group significantly strengthened its balance sheet over the six months to 30 June 2014 as a result of the funds raised from its initial public offering as well as the conversion of shareholder loans on admission of the company shares to trading on AIM. The group's net asset position was strengthened from S$21.6 million at 31 December 2013 to S$76.4 million at 30 June 2014, with total loans and borrowings reduced from S$51.2 million to S$18.3 million.

The company generated S$170,000 of revenue in the 6 months to June 2014 from the provision of consulting services to Carnegie Wave Energy Limited. Cash generated from financing activities, including grants received and proceeds from the initial public offering in February, was S$31.1 million.

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## INTRODUCTION

We have reviewed the accompanying non-statutory Consolidated Interim Financial Statements of Atlantis Resources Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group as at 30 June 2014, the related consolidated statement of profit or loss and other comprehensive income and consolidated statements of changes in equity of the Group, and the consolidated statement of cash flows for the Group for the six-month period then ended and certain explanatory information (the "Consolidated Interim Financial Statements"). Management is responsible for the preparation and presentation of the Consolidated Interim Financial Statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the Consolidated Interim Financial Statements based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Interim Financial Statements is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

## OTHER MATTERS

The financial statements of Atlantis Resources Limited and its subsidiaries for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 30 May 2014.

The Consolidated Interim Financial Statements for the six months ended 30 June 2013 were not audited nor reviewed.

KPMG LLP

KPMG LLP
*Public Accountants and*
*Chartered Accountants*

Singapore

24 September 2014

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

| | Note | Group Six months ended 30 June 2014 S$'000 | 30 June 2013 S$'000 |
|---|---|---|---|
| Revenue | | **170** | 2,093 |
| Other gains/(losses) | 7 | **75** | (1,651) |
| Subcontractors costs | | **–** | (1,999) |
| Depreciation and amortisation expenses | | **(1,673)** | (1,665) |
| Research and development costs | | **(376)** | (243) |
| Employee benefits expenses | | **(3,182)** | (1,712) |
| Other operating expenses | | **(2,144)** | (1,364) |
| **Total expenses** | | **(7,375)** | (6,983) |
| Finance costs | 8 | **(1,585)** | (1,375) |
| **Loss before tax** | | **(8,715)** | (7,916) |
| Income tax benefit | | **–** | 5 |
| **Loss for the period** | | **(8,715)** | (7,911) |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translation of foreign operation | | **2,749** | 813 |
| **Total comprehensive income for the period** | | **(5,966)** | (7,098) |
| **Losses attributable to:** | | | |
| Owners of the group | | **(8,715)** | (7,911) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the group | | **(5,966)** | (7,098) |
| **Loss per share (basic and diluted)** | | **(0.12)** | (0.25) |

The accompanying notes form an integral part of these consolidated interim financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

| | Note | Group 30 June 2014 S$'000 | 31 December 2013 S$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **3,047** | 3,007 |
| Intangible assets | 10 | **47,931** | 44,040 |
| | | **50,978** | 47,047 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **742** | 1,601 |
| Other assets | 13 | **39,599** | 37,052 |
| Cash and cash equivalents | 11 | **20,557** | 2,620 |
| | | **60,898** | 41,273 |
| **Total assets** | | **111,876** | 88,320 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **7,885** | 6,805 |
| Provisions | | **1,136** | 1,104 |
| Income tax payable | | **–** | 11 |
| Loans and borrowings | 15 | **1,634** | 38,762 |
| | | **10,655** | 46,682 |
| **Non-current liabilities** | | | |
| Deferred taxation | | **8,146** | 7,602 |
| Loans and borrowings | 15 | **16,710** | 12,414 |
| | | **24,856** | 20,016 |
| **Total liabilities** | | **35,511** | 66,698 |
| **Net assets** | | **76,365** | 21,622 |
| **EQUITY** | | | |
| Share capital | 16 | **175,615** | 114,906 |
| Translation reserve | | **2,033** | (716) |
| Option fee | | **10** | 10 |
| Share option reserve | | **3,994** | 3,994 |
| Accumulated losses | | **(105,287)** | (96,572) |
| **Total equity** | | **76,365** | 21,622 |

The accompanying notes form an integral part of these consolidated interim financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

| | Share capital S$'000 | Translation reserve S$'000 | Option fee S$'000 | Share option reserve S$'000 | Accumulated losses S$'000 | Attributable to equity holder of the Group S$'000 |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| As at 1 January 2013 | 111,282 | 1,259 | 10 | 3,435 | (86,896) | 29,090 |
| Total comprehensive income for the period | | | | | | |
| Loss for the period | – | – | – | – | (7,911) | (7,911) |
| Other comprehensive income for the period | – | 813 | – | – | – | 813 |
| Total comprehensive income for the period | – | 813 | – | – | (7,911) | (7,098) |
| Transactions with owners, recognised directly in equity | | | | | | |
| Recognition of share based payments, net | – | – | – | 8 | – | 8 |
| Costs related to fund raising activities | (4) | – | – | – | – | (4) |
| Total transactions with owners | (4) | – | – | 8 | – | 4 |
| **At 30 June 2013** | **111,278** | **2,072** | **10** | **3,443** | **(94,807)** | **21,996** |

| | Note | Share capital S$'000 | Translation reserve S$'000 | Option fee S$'000 | Share option reserve S$'000 | Accumulated losses S$'000 | Attributable to equity holder of the Group S$'000 |
|---|---|---|---|---|---|---|---|
| Group | | | | | | | |
| As at 1 January 2014 | | 114,906 | (716) | 10 | 3,994 | (96,572) | 21,622 |
| Total comprehensive income for the period | | | | | | | |
| Loss for the period | | – | – | – | – | (8,715) | (8,715) |
| Other comprehensive income for the period | | – | 2,749 | – | – | – | 2,749 |
| Total comprehensive income for the period | | – | 2,749 | – | – | (8,715) | (5,966) |
| Transactions with owners, recognised directly in equity | | | | | | | |
| Issued for cash during public offering | 16 | 22,872 | – | – | – | – | 22,872 |
| Conversion of convertible loans into shares during public offering | | 37,837 | – | – | – | – | 37,837 |
| Total transactions with owners | | 60,709 | – | – | – | – | 60,709 |
| **At 30 June 2014** | | **175,615** | **2,033** | **10** | **3,994** | **(105,287)** | **76,365** |

The accompanying notes form an integral part of these consolidated interim financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

| | Note | Group Six months ended 30 June 2014 S$'000 | 30 June 2013 S$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(8,715)** | (7,916) |
| Adjustments for: | | | |
| Depreciation of plant and equipment | | **15** | 85 |
| Amortisation of intangible assets | | **1,658** | 1,580 |
| Finance costs | 8 | **1,585** | 1,375 |
| Share-based payments | | **–** | 9 |
| Net foreign exchange loss | | **12** | 1,651 |
| Operating cash flows before movements in working capital | | **(5,445)** | (3,216) |
| Trade and other receivables | | **(1,651)** | 72 |
| Trade and other payables | | **(2,873)** | 1,437 |
| Income tax paid | | **(11)** | 5 |
| **Net cash used in operating activities** | | **(9,980)** | (1,702) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(14)** | (11) |
| Expenditure on project development | | **(4,959)** | – |
| Purchase of available-for-sale investments | | **–** | (35) |
| Deposits pledged | | **(4,233)** | – |
| **Net cash used in investing activities** | | **(9,206)** | (46) |
| **Financing activities** | | | |
| Proceeds from grants received | | **3,954** | – |
| Proceeds from borrowings | | **4,913** | 743 |
| Repayment of borrowings | | **(504)** | – |
| Interest paid | | **(89)** | – |
| Proceeds from issue of shares | 16 | **25,214** | – |
| Costs related to fundraising | 16 | **(2,342)** | (4) |
| **Net cash from financing activities** | | **31,146** | 739 |
| **Net increase/(decrease) in cash and cash balances** | | **11,960** | (1,009) |
| Cash and cash equivalents at beginning of period | | **2,620** | 2,338 |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | | **32** | 259 |
| **Cash and cash equivalents at end of period** | 11 | **14,612** | 1,588 |

**Non-cash transaction:**

During the period, the convertible loans outstanding as at 31 December 2013 were converted to ordinary shares upon successful listing of the Company. Please see note 16 for further details.

The accompanying notes form an integral part of these consolidated interim financial statements.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

These notes form an integral part of the consolidated interim financial statements.

The consolidated interim financial statements comprise those of the Company and its subsidiaries (together referred to as the Group). These consolidated interim financial statements do not constitute the Group's statutory accounts within the meaning in the provisions of the Singapore Companies Act, Chapter 50. Statutory accounts for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards, were approved by the Board of Directors on 30 May 2014, and delivered to the Accounting and Corporate Regulatory Authority of Singapore. The report of the auditors in the statutory accounts for the year ended 31 December 2013 was (i) unqualified (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The consolidated interim financial statements is unaudited but has been formally reviewed by the auditors and their report to the Company is set out on page 3. The consolidated interim financial statements were authorised for issue by the Board of Directors on 24 September 2014.

## 1. DOMICILE AND ACTIVITIES

Atlantis Resources Limited is incorporated in the Republic of Singapore with its principal place of business and registered office at 65 Niven Road, Singapore 228414.

The principal activity of the Company is that of pioneering the development of tidal current power as the most reliable, economic and secure form of renewable energy. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services.

## 2. BASIS OF PREPARATION

*Statement of compliance*

The consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* ("IAS 34").

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

The consolidated interim financial statements, which do not include the full disclosures of the type normally included in a complete set of consolidated financial statements, are to be read in conjunction with the last issued consolidated financial statements of the Group and the Company as at and for the year ended 31 December 2013.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except for the new and revised IASs effective for the financial year beginning 1 January 2014 adopted during the six month period ended 30 June 2014, and except as disclosed below, the accounting policies and method of computation used in the consolidated interim financial statements are consistent with those applied in the last issued consolidated financial statements of the Group for the year ended 31 December 2013.

During the period, the Group has changed the presentation of the analysis of expenses from the "function of expense" method to "nature of expense" method to provide the consolidated interim financial statements users with more reliable and relevant information of the expenses incurred by the Group. Certain comparative information has been updated to conform with the change in presentation of analysis of expenses.

The adoption of the new and revised IASs for the financial year beginning 1 January 2014 does not have a significant effect on the consolidated interim financial statements of the Group.

New standards, amendments to standards and interpretations that are not effective for the six months ended 30 June 2014 have not been applied in preparing these consolidated interim financial statements. None of these are expected to have a significant effect on the consolidated interim financial statements of the Group.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this set of consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

## 5. GOING CONCERN BASIS

The Group meets its day to day working capital requirements through shareholders' funding, loans and grants. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

## 6. SEASONALITY OF OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

## 7. OTHER GAINS AND LOSSES

| | 30 June 2014 S$'000 | 30 June 2013 S$'000 |
|---|---|---|
| Net foreign exchange losses | (12) | (1,651) |
| Other income | 87 | – |
| | 75 | (1,651) |

Other income represents grants received during the period.

## 8. FINANCE COSTS

| | 30 June 2014 S$'000 | 30 June 2013 S$'000 |
|---|---|---|
| Interest expense arising from: | | |
| – shareholders' loans | 144 | 1,375 |
| – related party loan | 149 | – |
| – long term loans | 698 | – |
| – convertible loans | 594 | – |
| | 1,585 | 1,375 |

The long term loans are related to loans obtained by a subsidiary acquired by the Company in 2013. During the acquisition, the long term loans were recorded at fair value. Subsequent to the acquisition, the long term loans were recorded at amortised cost. The interest expense of S$698,000 relating to the long term loans includes the re-measurement of the long term loans on an amortised cost basis using the effective interest rate method.

## 9. PROPERTY, PLANT AND EQUIPMENT

There are no material additions or disposals during the period.

## 10. INTANGIBLE ASSETS

Total expenditure on turbine development and project development for the period amounted to S$4,960,000. Of this, S$2,598,000 related to the Group's tidal turbine development programme, in particular expenditure on the detailed design of and system integration for the Group's AR1500 turbine.

A further S$2,362,000 of expenditure related to the development of the MeyGen tidal power project at the Inner Sound off the Scottish coast was capitalised during the period. Included in the capitalised development costs is an amount of S$559,000 that represents borrowing costs capitalised during the period. The project is progressing according to plan and management estimates the recoverable amount to be higher than the carrying amount such that no impairment was required.

## 11. CASH AND CASH EQUIVALENTS

| | 30 June 2014 S$'000 | 31 December 2013 S$'000 |
|---|---|---|
| Cash at bank | **14,594** | 895 |
| Fixed deposits | **5,945** | 1,712 |
| Cash on hand | **18** | 13 |
| | **20,557** | 2,620 |
| Less: encumbered deposits | **(5,945)** | (1,712) |
| Cash and cash equivalents in the statement of cash flows | **14,612** | 908 |

The encumbered deposits of S$5,945,000 served as collateral in support of the provision of bank guarantees on behalf of subsidiaries of the Group. An aggregate amount of S$1,990,000 of this collateral was used in support of the provision of standby letters of credit on behalf of MeyGen Limited to secure the MeyGen project's electricity transmission capacity.

The remaining S$3,955,000 of the collateral supported a bank guarantee that was required to secure an advance payment of the same amount received from the European Commission as part of the pre-funding of a grant obtained from the European Commission, which was released subsequent to the period end.

## 12. TRADE AND OTHER RECEIVABLES

With reference to the trade and other receivables as at 31 December 2013, other receivables due from a shareholder and a director of S$57,000 and S$209,000 respectively were received during the period.

## 13. OTHER ASSETS

In relation to the option to enter into a seabed lease for the MeyGen project, at the reporting date, management estimates the recoverable amount to be higher than the carrying amount and therefore no impairment was required.

## 14. TRADE AND OTHER PAYABLES

| | 30 June 2014 S$'000 | 31 December 2013 S$'000 |
|---|---|---|
| Trade payables | **1,858** | 2,273 |
| Other payables | **412** | 221 |
| Accruals | **1,507** | 4,157 |
| Advance receipts | **4,108** | 154 |
| | **7,885** | 6,805 |

Advance receipts includes S$3,955,000 advance payment received from the European Commission as explained in Note 11.

## 15. LOANS AND BORROWINGS

| | 30 June 2014 S$'000 | 31 December 2013 S$'000 |
|---|---|---|
| **Current** | | |
| Shareholders' loans | **1,634** | 1,520 |
| Convertible loans | – | 37,242 |
| | **1,634** | 38,762 |
| **Non-current** | | |
| Related party loan | **6,803** | 6,207 |
| Long term loans | **9,907** | 6,207 |
| | **16,710** | 12,414 |
| | **18,344** | 51,176 |

## 15. LOANS AND BORROWINGS continued

Upon admission of the Company's shares to trading on AIM, a market operated by the London Stock Exchange, all convertible loans were converted into ordinary shares of the Company at the price of shares issued in the initial public offering less a discount of 10%. S$36,970,000 of convertible loans from directors and shareholders were converted into 18,668,000 ordinary shares.

In February 2014, Atlantis Resources (Scotland) Limited, a wholly owned subsidiary of the Company, entered into a loan agreement with Scottish Enterprise (as administrator of the Renewable Energy Investment Fund) and Atlantis Resources Limited (as guarantor). Of the S$4.3 million (£2.0 million) principal amount of the loan, S$3.2 million (£1.5 million) had already been drawn down by 30 June 2014, with the final S$1.1 million (£0.5 million) drawn down in August 2014. The loan is to be used to support the development of Atlantis Resources (Scotland) Limited's engineering hub in Scotland and in support of the development of the initial phase of the MeyGen project. The interest rate on the loan is 12% per annum with interest accrued and capitalised each six months. The loan plus all accrued and capitalised interest is repayable on the fifth anniversary of the first drawdown of the loan.

The Company also received a bridging loan of S$504,000 (A$400,000) from a shareholder secured by way of a floating charge over its assets in February 2014. The loan was repaid in March 2014.

Other than the above, there were no changes in the terms and conditions of any of the remaining loans. No covenants of any loans have been breached.

## 16. SHARE CAPITAL

| | Number of ordinary shares of no par value '000 | Number of ordinary "A" shares '000 | Number of non-voting preference "B" shares '000 | Number of non-voting preference "C" shares '000 | S$'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | – | 1,258,217 | 27,250 | 59,524 | 114,906 |
| Conversion into ordinary "A" shares | – | 86,774 | (27,250) | (59,524) | – |
| Consolidation of shares of 1 ordinary share for every 30 ordinary "A" shares | 44,833 | (1,344,991) | – | – | – |
| Public offerings issued for cash | 12,766 | – | – | – | 25,214 |
| Convertible loan notes converted into shares | 19,105 | – | – | – | 37,837 |
| Transaction costs incurred in relation to shares issuance | – | – | – | – | (2,342) |
| At 30 June 2014 | **76,704** | – | – | – | **175,615** |

On 20 February 2014, the Company's entire share capital was admitted to trading on AIM, a market of the London Stock Exchange. On the point of admission, the Company's class "B" non-voting preference shares and class "C" non-voting preference shares in the capital of the Company were converted into class "A" ordinary shares. Furthermore, the Company's class "A" ordinary shares were consolidated on the basis of one new ordinary share for 30 "A" ordinary shares held by such person on admission. After conversion of the convertible loans to shares and the public offering of shares for cash, the Company had a total of 76,704,000 shares issued.

## 17. SHARE OPTIONS

| | Ordinary share options | | Number of non-voting preference "B" shares | |
|---|---|---|---|---|
| | Number of share options '000 | Weighted average exercise price S$ | Number of share options '000 | Weighted average exercise price S$ |
| **2014** | | | | |
| At 1 January 2014 | – | – | 39,266 | 0.195 |
| Conversion into ordinary shares options[1] | 1,309 | 5.553 | (39,266) | 0.195 |
| Lapsed during the period | (1,209) | 5.553 | – | – |
| Issued during the period | 4,255 | 1.999 | – | – |
| At 30 June 2014 | **4,355** | | – | |

(1) On the point of admission of the Company's shares to trading on AIM, the options on class "B" shares were converted and consolidated on a similar basis to the class "B" shares, as described in note 16.

## 17. SHARE OPTIONS continued

As at 30 June 2014, the number of share options and their expiration dates are as follows:

| Number of options | Expiry on |
|---|---|
| 66,667 | 4 June 2015 |
| 33,333 | 9 June 2015 |
| 4,255,000 | 20 February 2019 |

During the period, all the share options were granted to key management personnel and members of the Board of Directors of the Company.

Further details of the options granted are provided in the Company's annual report for the year ended 31 December 2013.

## 18. LOSS PER SHARE

The calculation of loss per share is based on the loss after tax and on the weighted average number of ordinary shares in issue during each period.

| | Loss after tax | | Weighted average number of shares | | Loss per share | |
|---|---|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 '000 | 2013 '000 | 2014 S$ | 2013 S$ |
| Basic and diluted | **8,715** | 7,911 | **73,158** | 32,075 | **0.12** | 0.25 |

## 19. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of reporting period:

| | 30 June 2014 S$'000 | 31 December 2013 S$'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **20,557** | 2,620 |
| Loans and receivables | | |
| Trade and other receivables | **373** | 506 |
| | **20,930** | 3,126 |
| **Financial liabilities** | | |
| Amortised cost | | |
| Trade and other payables | **3,777** | 6,651 |
| Loans and borrowings | **18,344** | 13,934 |
| Fair value through profit or loss | | |
| Loans and borrowings | – | 37,242 |
| | **22,121** | 57,827 |

### (b) Financial risk management policies and objectives

The Group is exposed to various financial risks arising in the normal course of business. It has adopted financial risk management policies and utilised a variety of techniques to manage its exposure to these risks.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) *Foreign exchange risk management*

The Group transacts business in various foreign currencies, including Australian dollars, British pounds, Euros and United States dollars and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

## 19. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 30 June 2014 S$'000 | 31 December 2013 S$'000 | 30 June 2014 S$'000 | 30 December 2013 S$'000 |
| Australian dollars | 66 | 266 | 10 | 12 |
| British pounds | 441 | 7,178 | 118 | 59 |
| Euros | 84 | – | 3,967 | 6 |
| United States dollars | 895 | 527 | 7 | 29 |

*Foreign currency sensitivity*

The sensitivity rate used when reporting foreign currency risk to key management personnel is 10%, which is the sensitivity rate which represents management's assessment of the likely potential change in foreign exchange rates.

If the relevant foreign currencies were to strengthen by 10% against the functional currency of each Group entity, profit and loss will increase (decrease) by:

| | Australian dollars | | British pounds | | Euros | | United States dollars | |
|---|---|---|---|---|---|---|---|---|
| | 30 June 2014 S$'000 | 31 December 2013 S$'000 | 30 June 2014 S$'000 | 31 December 2013 S$'000 | 30 June 2014 S$'000 | 31 December 2013 S$'000 | 30 June 2014 S$'000 | 31 December 2013 S$'000 |
| Group | | | | | | | | |
| Profit or loss | **(6)** | (25) | **(32)** | (712) | **388** | 1 | **(160)** | (90) |

(ii) *Interest rate risk management*

Interest rate risk arises from the potential change in interest rates that may have an adverse effect on the Group in the current reporting period or in future periods.

The Group's exposure to interest rate risk is limited to the effects of fluctuation in bank interest rate on cash and cash equivalents as well as LIBOR rates on loans and borrowings.

As at the end of the reporting period, if the 12-month LIBOR rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss before tax would have been approximately S$158,000 higher/lower, arising mainly as a result of higher/lower finance costs.

(iii) *Equity price risk management*

The Group is not exposed to equity price risks as it holds minimal equity investments. Equity price sensitivity has not been analysed as the impact on the Group's profit or loss is not expected to be significant.

(iv) *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as at the end of the reporting period.

Cash at bank is held with creditworthy financial institutions.

(v) *Liquidity risk management*

The Group actively manages its operating cash flows and the availability of funding through maintaining sufficient cash and cash equivalents to finance their activities.

Current financial liabilities at 30 June 2014 and 31 December 2013 are repayable on demand or due within one period from the end of the reporting period. Other than the loans and borrowings, the remaining financial liabilities are non-interest bearing.

(vi) *Analysis of financial instruments by remaining contractual maturities.*

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

## 19. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

| | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| 30 June 2014 | One period or less S$'000 | One to five periods S$'000 | Over five periods S$'000 | Adjustment[1] S$'000 | Carrying amounts S$'000 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | **20,557** | – | – | – | **20,557** |
| Trade and other receivables | **373** | – | – | – | **373** |
| | **20,930** | – | – | – | **20,930** |
| **Financial liabilities** | | | | | |
| Trade and other payables | **3,777** | – | – | – | **3,777** |
| Shareholders' loans | **1,699** | – | – | **(65)** | **1,634** |
| Loan from related party | – | – | **14,005** | **(7,202)** | **6,803** |
| Long term loans | – | – | **19,727** | **(9,820)** | **9,907** |
| | **5,476** | – | **33,732** | **(17,087)** | **22,121** |
| 31 December 2013 | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 2,620 | – | – | – | 2,620 |
| Trade and other receivables | 506 | – | – | – | 506 |
| | 3,126 | – | – | – | 3,126 |
| **Financial liabilities** | | | | | |
| Trade payables and other payables | 6,651 | – | – | – | 6,651 |
| Shareholders' loans | 1,675 | – | – | (155) | 1,520 |
| Convertible loans | 37,837 | – | – | (595) | 37,242 |
| Loan from related party | – | – | 13,762 | (7,555) | 6,207 |
| Long term loan | – | – | 13,762 | (7,555) | 6,207 |
| | 46,163 | – | 27,524 | (15,860) | 57,827 |

(1) Relates to contractual interest payments.

(vii) *Fair value of financial assets and financial liabilities*

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated interim financial statements approximate their fair values.

| | 30 June 2014 Carrying Value S$'000 | 30 June 2014 Fair Value S$'000 | 31 December 2013 Carrying Value S$'000 | 31 December 2013 Fair Value S$'000 |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Shareholders' loans | **1,634** | **1,648** | 1,520 | 1,554 |
| Convertible loans | – | – | 37,242 | 37,242 |
| Related party loan | **6,803** | **6,631** | 6,207 | 6,207 |
| Long term loans | **9,907** | **9,992** | 6,207 | 6,207 |
| | **18,344** | **18,271** | 51,176 | 51,210 |

| 30 June 2014 | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total Fair Value S$'000 |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Shareholders' loans | – | – | **1,648** | **1,648** |
| Related party loan | – | – | **6,631** | **6,631** |
| Long term loans | – | – | **9,992** | **9,992** |
| | – | – | **18,271** | **18,271** |

## 19. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT continued

| 31 December 2013 | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total Fair Value S$'000 |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Shareholders' loans | – | – | 1,554 | 1,554 |
| Convertible loans | – | – | 37,242 | 37,242 |
| Related party loan | – | – | 6,207 | 6,207 |
| Long term loan | – | – | 6,207 | 6,207 |
| | – | – | 51,210 | 51,210 |

The interest rate used to discount estimated cash flows, where applicable, are based on the unsecured long term cost of borrowings rate of 12%. There were no transfers between levels 2 and 3 during the period.

### (c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital and accumulated losses as well as loans due to shareholders, related parties and third parties.

The Company's capital is represented by the sum of loans and borrowings and shareholders' equity in the statement of financial position as at 30 June 2014 of S$94,709,000 (31 December 2013: S$72,798,000).

The Company's objectives when maintaining capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

## 20. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the consolidated interim financial statements, the following are the significant transactions with related parties/companies during the period:

| | 30 June 2014 S$'000 | 30 June 2013 S$'000 |
|---|---|---|
| Rental expense paid to companies with common director | **25** | 81 |
| Interest expense arising from shareholders' loans | **202** | 1,341 |
| Interest expense arising from related party loan | **216** | – |

### Compensation of directors and key management personnel:

The remuneration of directors and other members of key management during the period was as follows:

| | 30 June 2014 S$'000 | 30 June 2013 S$'000 |
|---|---|---|
| Short-term benefits | **747** | 429 |

## 21. EVENTS AFTER THE REPORTING PERIOD

In August 2014, the Company's subsidiary, MeyGen Limited, secured committed financing and entered into construction and supply contracts for the first 6 MW phase of the MeyGen project. Key events associated with this development were:

- Incorporation of Tidal Power Scotland Holdings Limited as a wholly owned indirect subsidiary of Atlantis Projects Pte Ltd, a direct wholly owned subsidiary of the Company, and the sale and purchase of 100% of the shares of MeyGen Limited from Atlantis Projects Pte Ltd to Tidal Power Scotland Holdings Limited.
- An aggregate equity investment of £20.5 million from the Company via Atlantis Project Pte Ltd (£10.8 million), and Scottish Enterprise, as administrator of the Renewable Energy Investment Fund (£9.7 million), in Tidal Power Scotland Holdings Ltd. under the terms of a Subscription Agreement and Shareholders' Agreement, resulting in Scottish Enterprise taking a shareholding of 13.5% and Atlantis retaining an 86.5% stake.
- A £7.5 million project finance loan from Scottish Enterprise, as administrator of the Renewable Energy Investment Fund, to MeyGen Limited.
- An investment of £10.0 million by The Crown Estate Commissioners into MeyGen Limited, to be serviced through the payment of "enhanced rent" to The Crown Estate with an exit payment at or before 10 years from commissioning.
- Entry by MeyGen Limited into grant agreements in an aggregate amount of £13.3 million, comprising a £10 million grant from the Department of Energy and Climate Change, and two grants from Highlands and Islands Enterprise in an aggregate amount of £3.3 million.
- Entry by MeyGen Limited into a 25 year seabed lease with the Crown Estate for the installation of up to 398 MW of tidal turbines at MeyGen's Pentland Firth site.
- MeyGen's entry into a 10 year power purchase agreement with Smartest Energy, a wholly owned subsidiary of Marubeni Corporation, for the purchase of all renewable obligation certificates and power generated by the project.
- MeyGen Limited's entry into a turbine supply agreement with Atlantis Operations (UK) Limited, a wholly owned indirect subsidiary of the Company, for the supply of one AR1500 tidal turbine to MeyGen with a total contract value of £4.5 million.
- MeyGen Limited's entry into a turbine supply agreement with Andritz Hammerfest Hydro (UK) Limited for the supply of three 1.5 MW tidal turbines to MeyGen with a total contract value of £13.4 million.
- Entry by MeyGen Limited into an offshore installation agreement with James Fisher Marine Services Limited for the installation of cables, foundation structures and turbines for the MeyGen project with a total contract value of £3.2 million.
- Entry into an onshore infrastructure works agreement between MeyGen Limited and ABB Limited with a total contract value of £7.0 million.

Also in August 2014, the European Commission released the S$3,955,000 equivalent bank guarantee that had been cash collateralised by a subsidiary of the Company.

In addition, in August 2014 the Company announced that it had been awarded a £7.5 million contract from the Energy Technologies Institute for Phase 2 of the Tidal Energy Converter project.

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