



ATLANTIS RESOURCES LIMITED

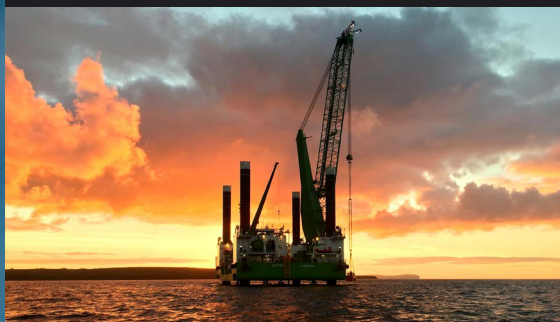
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017



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Jack-Up vessel the Neptune



Lower cable management system connection



AR1500 1.5 MW Turbine



AHH 1.5 MW turbine lift



Andritz dry mate cable connection



Olympic Ares with launch and recovery system on deck

CHAIRMAN'S STATEMENT



Chairman

John Mitchell Neill



the MeyGen project is now exporting electricity to consumers using only the natural and predictable power of the tides



As we embark on our third year as an AIM listed public company, we have continued to grow and diversify whilst preserving the innovation and enterprise which characterises the Atlantis team. In particular, the launch of the new Atlantis Energy division has enabled us to pursue opportunities which build on our heritage and experience in tidal stream energy, and we're especially pleased that the Duchy of Lancaster has selected us as the preferred developer for the proposed 160 MW Wyre estuary tidal barrage and flood protection project, near Fleetwood in Lancashire, England.

Having commenced generation from the first phase of our MeyGen project in Scotland we are able to focus on geographic diversification. As well as our portfolio of UK opportunities we are active in Canada, France and Asia, where support remains strong for tidal stream energy as a source of predictable and sustainable electricity. We've secured preferred supplier status for a 150 MW project in Indonesia, and have entered into a partnership agreement with Hyundai Engineering and Construction for worldwide projects, including in South Korea.

Scotland, and MeyGen in particular, remains especially important to us as Scottish waters are home to some of the world's best tidal stream resource, and our agreements for lease with The Crown Estate ensure we are well positioned to exploit this. We installed the fourth and final turbine of Phase 1A of the MeyGen project in February 2017, and following a period of initial operations all the turbines were then retrieved for the manufacturers to implement improvements. The first two turbines, supplied by Andritz Hydro Hammerfest, were reinstalled in July 2017 and are running fully autonomously. The third Andritz Hydro Hammerfest turbine was successfully reinstalled in August 2017 and Atlantis's own AR1500 is scheduled for redeployment in early October 2017. Aggregate export to grid during this commissioning phase has already exceeded 2 GWh, which equates to approximately £0.6 million of revenue. We are very pleased with turbine performance thus far.

While we were disappointed, but not surprised, with the recent contracts for difference ("CfDs") announcement from the Department for Business, Energy & Industrial Strategy ("BEIS"), where, despite forecasting a two-third reduction in the level of revenue support, we were not awarded a CfD in this allocation in respect of Phase 1C of the MeyGen project. However, our electricity needs are changing. National Grid's 2017 Future Energy Scenarios forecasts an increase in demand in all cases, reversing the trend of decreasing electricity use brought about through efficiency initiatives. This increase must be met by affordable, secure and clean sources of supply, and tidal stream generation from our waters can achieve all three of these objectives and meet an estimated 20% of the UK's electricity demand. Additionally, unlike other forms of weather driven renewable generation, tidal energy is wholly predictable for decades in advance.

The outcome of the recent CfD auction will deliver thousands of megawatts of renewable energy projects, with an overwhelming weighting towards offshore wind. These new additions to the generation portfolio are welcomed, but must be complemented by a more diverse basket of technologies. The funds are available to facilitate this as 40% of the £290 million budget for the recent auction round were not allocated through the competitive process.

We intend to ask that the UK Government consider entering into bilateral negotiations with us for the award of a 15 year contract for difference which would allow us to proceed with the construction of Phase 1C of the MeyGen project without further delay. The proposed price per MWh is half of the administrative strike price for our technology used in the recent auction rounds, and demonstrates our commitment to rapid and significant cost reductions.

We are delighted that support for our business remains strong, allowing us to raise over £4 million in May 2017 through the issue of new shares, and a further £5 million through a bond issuance which was fully subscribed within a month of its launch in June 2017. This will provide the capital required to fund investigation and development of various opportunities for creating value and generating revenue.

CHAIRMAN'S STATEMENT

I am particularly pleased to note that the MeyGen project is now exporting electricity to consumers using only the natural and predictable power of the tides. This remarkable achievement has only been possible because of the dedication and tenacity of our team, our stakeholders and suppliers, and I extend my heartfelt thank you to them all. I now look forward to building on this foundation to fulfil our goal to create a thriving global industry, with Atlantis at its forefront.

SUMMARY OF RESULTS

The capital raise in May 2017 meant that the net assets of the Atlantis Group increased during the period from 31 December 2016 to over £67 million.

Income for the six months to 30 June 2017 was £3.1 million, which included Horizon 2020 grant funding in support of our ongoing development expenditure. In the period, MeyGen generated revenue from electricity production of £0.1 million. During this commissioning phase, income is netted off against the cost of construction. Together with the capital raise from the market and grants received, total cash from financing activities for the period, net of loan repayments, was £7.6 million.

The unaudited consolidated cash position of the Atlantis Group as at 30 June 2017 was £6.9 million.



John Mitchell Neill

Chairman

19 September 2017

REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS



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INTRODUCTION

We have reviewed the accompanying condensed consolidated statement of financial position of Atlantis Resources Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the Group for the six-month period then ended and certain explanatory notes (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 the Consolidated 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 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG LLP
*Public Accountants and
Chartered Accountants*
Singapore

19 September 2017

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	Group Six months ended	
		30 June 2017 £'000	30 June 2016 £'000
Revenue		-	235
Other gains and losses	7	3,130	645
Subcontractors costs		(1,013)	(346)
Depreciation and amortisation expenses		(763)	(824)
Research and development costs		(78)	(144)
Employee benefits expenses		(2,440)	(2,456)
Other operating expenses		(1,510)	(973)
Total expenses		(5,804)	(4,743)
Loss from operating activities		(2,674)	(3,863)
Finance costs	8	(508)	(525)
Share of results of equity-accounted investee		(37)	(50)
Loss before tax		(3,219)	(4,438)
Income tax expense		-	-
Loss for the period		(3,219)	(4,438)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(3)	(408)
Total comprehensive income for the period		(3,222)	(4,846)
Loss attributable to:			
Owners of the Company		(3,542)	(4,438)
Non-controlling interest		323	-
		(3,219)	(4,438)
Total comprehensive income attributable to:			
Owners of the Company		(3,545)	(4,846)
Non-controlling interest		323	-
		(3,222)	(4,846)
Loss per share (basic and diluted) (pence)	15	(2.99)	(4.75)

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	Group	
		30 June 2017 £'000	31 December 2016 £'000
ASSETS			
Property, plant and equipment	9	65,374	62,694
Intangible assets		35,590	36,324
Investment in joint venture		-	-
Loan to joint venture		1,316	1,236
Non-current assets		102,280	100,254
Trade and other receivables		4,731	4,868
Cash and cash equivalents	10	6,939	10,232
Current assets		11,670	15,100
Total assets		113,950	115,354
LIABILITIES			
Trade and other payables	11	7,092	10,172
Provisions		1,629	2,339
Loans and borrowings	12	3,757	2,790
Current liabilities		12,478	15,301
Loans and borrowings	12	29,738	29,592
Provisions		483	-
Deferred tax liabilities		3,830	3,830
Non-current liabilities		34,051	33,422
Total liabilities		46,529	48,723
Net assets		67,421	66,631
EQUITY			
Share capital		95,030	91,220
Capital reserve	13	12,665	12,665
Translation reserve		7,164	7,167
Option fee		6	6
Share option reserve	14	3,393	3,191
Accumulated losses		(59,208)	(55,666)
Total equity attributable to owners of the Company		59,050	58,583
Non-controlling interests		8,371	8,048
Total equity		67,421	66,631

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company							Non-controlling interest £'000	Total £'000
	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000		
Group									
At 1 January 2016	84,918	5,709	7,315	6	3,078	(47,950)	53,076	4,672	57,748
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(4,438)	(4,438)	-	(4,438)
Other comprehensive income	-	-	(408)	-	-	-	(408)	-	(408)
Total comprehensive income for the period	-	-	(408)	-	-	(4,438)	(4,846)	-	(4,846)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Issuance of shares	6,211	-	-	-	-	-	6,211	-	6,211
Recognition of share-based payments	-	-	-	-	140	-	140	-	140
Changes in ownership interest in subsidiary									
Dilution of interest in a subsidiary without change in control	-	4,434	-	-	-	-	4,434	2,146	6,580
Total transactions with owners	<u>6,211</u>	<u>4,434</u>	<u>-</u>	<u>-</u>	<u>140</u>	<u>-</u>	<u>10,785</u>	<u>2,146</u>	<u>12,931</u>
At 30 June 2016	91,129	10,143	6,907	6	3,218	(52,388)	59,015	6,818	65,833

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company							Non-controlling interest £'000	Total £'000
	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000		
Group									
At 1 January 2017	91,220	12,665	7,167	6	3,191	(55,666)	58,583	8,048	66,631
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(3,542)	(3,542)	323	(3,219)
Other comprehensive income	-	-	(3)	-	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	(3)	-	-	(3,542)	(3,545)	323	(3,222)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Issuance of shares	3,810	-	-	-	-	-	3,810	-	3,810
Recognition of share-based payments	-	-	-	-	202	-	202	-	202
Total transactions with owners	<u>3,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202</u>	<u>-</u>	<u>4,012</u>	<u>-</u>	<u>4,012</u>
At 30 June 2017	<u>95,030</u>	<u>12,665</u>	<u>7,164</u>	<u>6</u>	<u>3,393</u>	<u>(59,208)</u>	<u>59,050</u>	<u>8,371</u>	<u>67,421</u>

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Group Six months ended	
		30 June 2017 £'000	30 June 2016 £'000
Cash flows from operating activities			
Loss for the period		(3,219)	(4,438)
Adjustments for:			
Depreciation of plant and equipment		21	35
Amortisation of intangible asset		742	789
Interest income		(78)	(61)
Finance costs	8	508	525
Share-based payments		202	140
Provision movement		(227)	(41)
Share of results of equity-accounted investee		37	50
Grant income		(1,840)	(191)
Net foreign exchange loss/(gain)		14	(111)
Operating cash flows before movements in working capital		(3,840)	(3,303)
Movement in trade and other receivables		137	(28)
Movement in trade and other payables		(786)	100
Net cash used in operating activities		(4,489)	(3,231)
Investing activities			
Purchase of property, plant and equipment		(6,532)	(9,629)
Expenditure on project development		(8)	(175)
Net cash used in investing activities		(6,540)	(9,804)
Financing activities			
Proceeds from grants received		4,226	3,046
(Repayment of)/proceeds from borrowings		(300)	4,823
Deposits (pledged)/released		(132)	231
Proceeds from issue of shares		4,050	6,538
Costs related to fundraising		(240)	(327)
Net cash from financing activities		7,604	14,311
Net (decrease)/increase in cash and cash balances		(3,425)	1,276
Cash and cash equivalents at beginning of period		8,586	10,182
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		-	(85)
Cash and cash equivalents at end of period	10	5,161	11,373

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 2017

The condensed consolidated statement of financial position of Atlantis Resources Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the Group for the six-month period then ended and certain explanatory notes (the “Consolidated Interim Financial Statements”), were approved by the Board of Directors for issue on 19 September 2017.

These notes form an integral part of the Consolidated Interim Financial Statements.

The Consolidated Interim Financial Statements do not comprise statutory accounts of the Group within the meaning in the provisions of the Singapore Companies Act, Chapter 50. The Group’s statutory accounts for the year ended 31 December 2016 were prepared in accordance with the provisions of the Singapore Companies Act and International Financial Reporting Standards (“IFRS”). The Group’s statutory accounts were approved by the Board of Directors on 30 May 2017 and have been reported by the Group’s auditors.

1. DOMICILE AND ACTIVITIES

Atlantis Resources Limited is incorporated in the Republic of Singapore with its registered office at 80 Raffles Place, Level 36, Singapore 048624.

The principal activity of the Group 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, and an investment holding company.

2. BASIS OF PREPARATION

Statement of compliance

The Consolidated Interim Financial Statements 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 2016.

The Consolidated Interim Financial Statements, which do not include the full disclosures of the type normally included in a complete set of financial statements, are to be read in conjunction with the last issued consolidated financial statements of the Group as at and for the year ended 31 December 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the new and revised IFRS effective for the financial year beginning 1 January 2017 adopted during the six-month period ended 30 June 2017, 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 2016.

The adoption of the new and revised IFRS for the financial year beginning 1 January 2017 does not have a significant effect on the Consolidated Interim Financial Statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. SIGNIFICANT ACCOUNTING POLICIES continued

New standards, amendments to standards and interpretations that are not effective for the six months ended 30 June 2017 have not been applied in preparing these Consolidated Interim Financial Statements. Except as otherwise indicated below, those new standards, amendments to standards and interpretations are not expected to have a significant effect on the Consolidated Interim Financial Statements. The Group does not plan to adopt these standards early.

▶ *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and IFRIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements.

The Group has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Group does not expect the changes to have any material impact.

▶ *IFRS 9 Financial Instruments*

IFRS 9 *Financial Instruments* replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

The Group has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Group does not expect the changes to have any material impact.

▶ *IFRS 16 Leases*

IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC – 15 *Operating Leases – Incentives*, and SIC – 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The management is currently evaluating the impact of the implementation of this standard, in view of the complexities and the potential wide-ranging implications.

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 2016.

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 the Consolidated Interim Financial Statements, notwithstanding the deficiency in net current assets.

6. SEASONALITY OF OPERATIONS

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

7. OTHER GAINS AND LOSSES

	30 June 2017 £'000	30 June 2016 £'000
Grant income	1,840	191
Other income	1,226	282
Interest income	78	61
Net foreign exchange (loss)/gains	(14)	111
	3,130	645

Other income comprises mainly liquidated damages income.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

8. FINANCE COSTS

	30 June 2017 £'000	30 June 2016 £'000
Interest expense arising from:		
– secured bridging loan	327	254
– secured long term loans	181	271
	508	525

9. PROPERTY, PLANT AND EQUIPMENT

During the period, a further £3.2 million (2016: £7.3 million) of expenditure related to the development of the MeyGen tidal power project at the Inner Sound of the Pentland Firth, off the coast of Scotland, was capitalised and an aggregate of £617,000 (2016: £451,000) of grants were drawn down. Included in the capitalised development costs is an amount of £919,000 (2016: £812,000) that represents borrowing costs capitalised during the period. The project is approaching its operational phase and management estimates the recoverable amount of property, plant and equipment and intangible assets to be higher than the carrying amount such that no impairment is required.

10. CASH AND CASH EQUIVALENTS

	30 June 2017 £'000	31 December 2016 £'000
Cash at bank	5,160	8,546
Fixed deposits	1,778	1,646
Cash on hand	1	40
Cash and cash equivalents in the statements of financial position	6,939	10,232
Less: Encumbered deposits	(1,778)	(1,646)
Cash and cash equivalents in the statement of cash flows	5,161	8,586

The encumbered deposits serve as collateral on behalf of MeyGen Limited, in support of the provision of bank guarantees and standby letters of credit as required under the terms of MeyGen's seabed lease and to secure the MeyGen project's electricity transmission capacity.

11. TRADE AND OTHER PAYABLES

	30 June 2017 £'000	31 December 2016 £'000
Trade payables	3,590	7,353
Other payables	268	63
Accruals	1,006	2,549
Advanced receipts	2,228	207
	7,092	10,172

Advanced receipts include deferred grant income of £2.2 million (2016: £0.2 million).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. LOANS AND BORROWINGS

	30 June 2017 £'000	31 December 2016 £'000
Current loans and borrowings		
Secured bridging loan from non-controlling interest	2,815	2,790
Secured long term loans	942	-
	3,757	2,790
Non-current loans and borrowings		
Loans from a related party	4,182	4,056
Long term loan	4,109	3,984
Secured long term loans	21,447	21,552
	29,738	29,592
Total loans and borrowings	33,495	32,382

During the period, a £300,000 repayment was made of the Secured bridging loan. There were no further loan drawdowns (2016: £4,823,000). Other than as described in note 19(ii), there were no changes in the terms and conditions of any of the loans detailed above and no covenants of any loans have been breached.

13. SHARE CAPITAL

	Number of ordinary shares with no par value '000	£'000
Issued and paid up during the period:		
At 1 January 2016	105,068	84,918
Public offerings issued for cash	11,888	6,539
Transaction costs incurred in relation to share issuance	-	(237)
At 31 December 2016	116,956	91,220
Public offerings issued for cash	9,000	4,050
Transaction costs incurred in relation to share issuance	-	(240)
At 30 June 2017	125,956	95,030

In May 2017, the Company raised £4.05 million, before expenses, through the placing of 9 million new ordinary shares at a placing price of 45 pence per share.

14. SHARE OPTION RESERVE

During the period, no further options to take up unissued shares of the Company were granted. No shares of the Company have been issued by virtue of the exercise of an option to take up unissued shares.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

15. 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 attributable to owners of the Company		Weighted average number of shares		Loss per share	
	30 June 2017 £'000	30 June 2016 £'000	30 June 2017 '000	30 June 2016 '000	30 June 2017 pence	30 June 2016 pence
Basic and diluted	3,542	4,438	118,547	93,352	2.99	4.75

At 30 June 2017, share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

16. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the Consolidated Interim Financial Statements, there were the following significant transactions with related parties companies during the period:

	30 June 2017 £'000	30 June 2016 £'000
Interest income from a joint venture	78	61
Interest expense arising from related party loans	(327)	-

Compensation of Directors and key management personnel:

The remuneration of Directors and other members of key management during the period are as follows:

	30 June 2017 £'000	30 June 2016 £'000
Short term employee benefits	264	176
Defined contribution benefits	30	30
Share-based payments	61	88

17. SEGMENT INFORMATION

(a) Operating segments

The Group is principally engaged in generating energy from tidal current power generation projects, development of these projects, as well as turbine and engineering services. In addition to the development of power projects, the power generation division currently focuses on the development of the MeyGen tidal energy project, whereas the turbine and engineering services division focuses on the development and delivery of turbines and technology solutions for projects worldwide. The divisions are managed separately because they require different expertise and marketing strategies.

The Board of Directors, who are chief operating decision makers, review internal management reports for each division regularly, in relation to the capital expenditure, resources allocation and funding availability of the three divisions.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

17. SEGMENT INFORMATION continued

Other operations include the provision of corporate services which does not meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016.

There are varying levels of integration between the power generation, project development and turbine and engineering services divisions, including the delivery of a turbine from the turbine and engineering services to the power generation division.

Information regarding the results of each reportable segment is included below.

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Total £'000
Six months ended 30 June 2017				
External revenues	-	-	-	-
Inter-segment revenue	-	127	-	127
Interest revenue	-	8	-	8
Interest expense	-	(507)	-	(507)
Depreciation and amortisation	-	(358)	-	(358)
Reportable segment profit/(loss) before tax	1,390 ⁽¹⁾	(4,199)	(147)	(2,956)

(1) Comprise mainly liquidated damages income.

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Total £'000
Six months ended 30 June 2016				
External revenues	-	235	-	235
Inter-segment revenue	-	2,141	-	2,141
Interest revenue	-	14	-	14
Interest expense	-	(412)	-	(412)
Depreciation and amortisation	-	(367)	-	(367)
Reportable segment loss before tax	(88)	(4,832)	-	(4,920)

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Total £'000
As at 30 June 2017				
Reportable segment assets	73,850	29,151	8,109	111,110
Capital expenditure	2,587	115	-	2,702
Reportable segment liabilities	(37,183)	(29,682)	(18,071)	(84,936)

	Power generation £'000	Turbine and engineering services £'000	Project development £'000	Total £'000
As at 31 December 2016				
Reportable segment assets	76,193	44,321	8,166	128,680
Capital expenditure	22,846	-	6,580	29,426
Reportable segment liabilities	(39,940)	(32,536)	(16,908)	(89,384)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

17. SEGMENT INFORMATION continued

(b) Reconciliation of reportable segment revenue

	30 June 2017 £'000	30 June 2016 £'000
Six months ended 30 June 2017		
Revenue for reportable segments	127	235
Elimination of inter-segment revenue	(127)	–
Consolidated revenue	–	235

(c) Reconciliation of reportable segment profit or loss

	30 June 2017 £'000	30 June 2016 £'000
Six months ended 30 June 2017		
Total loss for reportable segments	(2,956)	(4,920)
Unallocated amounts	(226)	532
Share of loss of equity-accounted investee	(37)	(50)
Consolidated loss before tax	(3,219)	(4,438)

18. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had entered into contracts to construct a tidal power plant for £47.7 million (2016: £51.4 million), of which £46.6 million (2016: £36.1 million) had been incurred as at the reporting date. At 30 June 2017, the Group had outstanding commitments under contracts for design and subcontract works for £1.2 million (2016: £1.9 million), pre-final investment decision costs of £nil (2016: £0.3 million) for new sites.

19. EVENTS AFTER THE REPORTING PERIOD

- (i) On 25 July 2017, the Group, via its subsidiary company Atlantis Ocean Energy PLC, raised £5.0 million through a five-year bond with a coupon of 8%, payable semi-annually, and maturing in 2022. The bond was offered through Abundance Investment Limited ("Abundance"), the provider of a regulated green peer-to-peer investment platform.
- (ii) On 31 August 2017, one of the subsidiary companies, Atlantis Resources (Scotland) Ltd entered into an agreement to extend the repayment terms of a bridging loan to 28 February 2018 at an interest rate of 15% per annum. In August 2017, £1.8 million of this loan was repaid using proceeds from the bond issue mentioned above. All other terms remain the same.

COMPANY INFORMATION

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Ian George Cobban
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Duncan Stuart Black

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