

30 October 2012

NOTICE OF 2012 ANNUAL GENERAL MEETING

Atlantic Ltd (ASX: ATI) (**Atlantic** or the **Company**) is pleased to announce that the Company's Annual General Meeting will be held on Thursday 29 November 2012 at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia, commencing at 10am (Perth time).

Please find attached a Chairman's Letter to Shareholders, Notice of Annual General Meeting, Explanatory Statement and Proxy Form.

These documents have been mailed to shareholders of the Company and are available on the Company's website at www.atlantictd.com.au.

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For further details please contact:

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Atlantic Ltd
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Glen Zurcher
Investor Relations
Atlantic Ltd
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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.atlantictd.com.au.

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29 October 2012

Dear Shareholder,

I am pleased to invite you to attend the Annual General Meeting of shareholders to be held at 10am on Thursday 29 November 2012. The meeting will be held at the Theatrette, QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace Perth.

In addition to the usual items of business, shareholders will be asked to consider three resolutions which relate to the issue of convertible bonds to Droxford International Limited which were announced to the ASX on 6 March 2012 and 6 August 2012. The two bond issues to Droxford provided much needed working capital for the company to continue the ramp up of the Windimurra mine. The resolutions are explained in detail in the attached Notice of Meeting.

To assist you in deciding how to vote on the resolutions relating to the convertible bonds, the Board engaged KPMG Financial Advisory Services (Australia) Pty Ltd to provide an Independent Expert Report which is included with the Notice of Meeting. The Independent Expert has concluded that the resolutions relating to the convertible bonds are fair and reasonable to Atlantic's shareholders (excluding any shareholder associated with Droxford).

In addition your directors (with the exception of Mr Phiong Phillipus Darma) are recommending that shareholders vote in favour of the three resolutions relating to the approval of the convertible bonds. As Mr Phiong is a senior executive of the Salim Group of Companies which has common ownership with Droxford, Mr Phiong considers that he should not make any recommendation to shareholders in relation to these resolutions.

This is an important meeting for the future of your company and I strongly urge you to carefully read the attached Notice of Meeting and either attend the meeting in person or lodge your vote either online or using the enclosed proxy form.

Yours sincerely



MICHAEL MINOSORA
Chairman & Managing Director

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ATLANTIC LTD

ATLANTIC LTD
ABN 60 009 213 763

Notice of Annual General Meeting

Time: 10.00 am Perth time
Date: Thursday, 29 November 2012
Place: QV1 Conference Centre
Level 2, QV1 Building, 250 St Georges Terrace
Perth, Western Australia

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

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NOTICE OF ANNUAL GENERAL MEETING

Atlantic Ltd ABN 60 009 213 763 (**Company**) gives notice that the annual general meeting of Shareholders (**Meeting**) will be held at:

Time: 10.00 am Perth time
Date: Thursday, 29 November 2012
Place: QV1 Conference Centre
Level 2, QV1 Building, 250 St Georges Terrace
Perth, Western Australia

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Statement, Notes and Proxy Form each form part of this Notice.

The Company has appointed KPMG Financial Advisory Services (Australia) Pty Ltd as the Independent Expert to prepare the Independent Expert Report, the purpose of which is to state whether or not, in its opinion, the issue of the Shares upon conversion of the Convertible Bonds and grant of the Security to Droxford is 'fair and reasonable' to Shareholders. The Independent Expert Report has been prepared in order to satisfy the requirements for Shareholder approval under both section 611, item 7 of the Corporations Act (see paragraph (l) on page 22), and ASX Listing Rule 10.1 (see on page 23).

The Independent Expert has concluded that:

- the issue of the Shares upon conversion of the Convertible Bonds is fair and reasonable to the Company's non-associated shareholders; and
- the grant by MVPL of the Security is fair and reasonable to the Company's non-associated shareholders.

A complete copy of the Independent Expert Report is provided in Annexure A to this Notice and is also available on the Company's website at www.atlanticld.com.au.

Terms and abbreviations used in this Notice, the Explanatory Statement, the Independent Expert Report, the Notes and the Proxy Form are defined in the Glossary.

CONSIDERATION OF REPORTS

To consider the financial report of the Company and the reports of the Directors and auditor for the year ended 30 June 2012.

RESOLUTIONS

1. Adoption of the Remuneration Report

To consider and, if thought fit, pass the following **advisory resolution**.

"That the Remuneration Report, which forms part of the report of the Directors for the year ended 30 June 2012, be adopted."

Voting Exclusions

In accordance with section 250R of the Corporations Act, the Company will disregard any votes cast on Resolution 1, by or on behalf, of any Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such Key Management Personnel. However, the Company need not disregard a vote if

it is cast by that person as proxy for a person who is entitled to vote on Resolution 1 where the proxy is appointed in writing that specifies how the proxy is to vote.

In accordance with section 250BD of the Corporations Act, the Company will also disregard any votes cast on Resolution 1 by any Key Management Personnel details of whose remuneration are not included in the Remuneration Report, or Closely Related Parties of such Key Management Personnel, as a proxy, unless the proxy appointment specifies the way the proxy is to vote on Resolution 1.

2. Election of Mr Tony Veitch as a Director

To consider and, if thought fit, pass the following **ordinary resolution**.

"That Mr Tony Veitch, being a Director of the Company who retires in accordance with the Company's Constitution and, being eligible and having consented to act, is re-elected as a Director."

3. Approval of the Issue of Shares to Droxford under the Class A Convertible Bond Deed

To consider and if thought fit, pass the following resolution as an **ordinary resolution**.

"That, subject to and conditional on the approval of Resolution 4, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for:

- (a) the issue to Droxford of 30 Class A Convertible Bonds (each with a face value of \$1,000,000) for a total face value of \$30,000,000; and
- (b) the issue to Droxford of up to 98,505,913 Shares and the acquisition of a relevant interest by Droxford in up to 98,505,913 such Shares upon the conversion of the Class A Convertible Bonds; and
- (c) the issue to Droxford of a higher number of Shares than the 98,505,913 Shares referred to in paragraph (b) above and the acquisition of a relevant interest by Droxford in such higher number of Shares upon the conversion of the Class A Convertible Bonds as a result of any adjustment of the Conversion Price of the Class A Convertible Bonds provided that the voting power of Droxford and its associates following the acquisition of such higher number of Shares does not exceed 90% of the total voting power attaching to all voting shares issued by the Company,

in accordance with the terms and conditions of the Class A Convertible Bond Deed which are described in the Explanatory Statement that accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 3 by Droxford and any of its Associates.

4. Approval of the Issue of Shares to Droxford under the Class B Convertible Bond Deed

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**.

"That, subject to and conditional on the approval of Resolution 3, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for:

- (a) the issue to Droxford of up to 50 Class B Convertible Bonds (each with a face value of \$1,000,000) for a total face value of \$50,000,000; and

- (b) the issue to Droxford of up to 171,151,972 Shares and the acquisition of a relevant interest by Droxford in up to 171,151,972 such Shares upon the conversion of the Class B Convertible Bonds; and
- (c) the issue to Droxford of a higher number of Shares than the 171,151,972 Shares referred to in paragraph (b) above and the acquisition of a relevant interest by Droxford in such higher number of Shares upon the conversion of the Class B Convertible Bonds as a result of the adjustment of the Conversion Price of the Class B Convertible Bonds, provided that the voting power of Droxford and its associates following the acquisition of such higher number of Shares does not exceed 90% of the total voting power attaching to voting shares issued by the Company,

in accordance with the terms and conditions of the Class B Convertible Bond Deed which are described in the Explanatory Statement that accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 4 by Droxford, and any of its Associates.

5. Approval of the Grant of Security to Droxford under the Class B Convertible Bond Deed

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**.

"That, for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for the Company to grant the Security in favour of Droxford in accordance with the terms and conditions of the Class B Convertible Bond Deed which are described in the Explanatory Statement that accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Droxford, any other person involved in the transaction by which the Security is granted in favour of Droxford, and any of their Associates.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Approval of Executive Incentive Share Plan

To consider and, if thought fit, pass the following **ordinary resolution**.

That the operation of the Atlantic Limited Employee Loyalty & Alignment Share Plan under the Executive Incentive Share Plan (**Plan**), and the grant of securities under the Plan, be approved for all purposes, including ASX Listing Rule 7.2, Exception 9, and sections 200B, 200E and 259B(2) of the Corporations Act, as set out in the Explanatory Notes accompanying this Notice of Meeting.

Voting Exclusion Statement

In accordance with the Corporations Act and the Listing Rules, the Company will disregard any votes cast in relation to Resolution 6:

- in any capacity by or on behalf of the Directors (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and their Associates; and
- as a proxy by a member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form, or by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy and vote as the proxy decides.

In addition, any Shareholder who is:

- an employee or Director of a company in the Group; or
- an Associate of such an employee,

should not cast any votes on Resolution 6 (other than as a directed proxy) if they wish to preserve the benefit of the approvals being sought.

Voting Exclusions

In accordance with section 250BD of the Corporations Act and Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6 by the following persons:

- a Director or any Associate of a Director; and
- as proxy, any Key Management Personnel or Closely Related Parties of Key Management Personnel.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides and the proxy form expressly authorises the Chairperson to exercise the proxy even if Resolution 6 is connected directly or indirectly with the remuneration of Key Management Personnel.

Date 23 October 2012

By order of the Board
Tony Veitch
Company Secretary

NOTES

These Notes form part of the Notice and should be read in conjunction with the Notice, the Explanatory Statement and the Proxy Form.

Right to Vote

The Directors have determined that, for the purpose of voting at the Meeting, Shares will be taken to be held by those persons who are registered as holders of the Shares at 4.00 pm Perth time (7.00 pm Sydney time) on Tuesday, 27 November 2012. Share transfers registered after that time will be disregarded in determining an entitlement to attend and vote at the Meeting.

How to Vote

Shareholders entitled to vote at the Meeting may vote by attending the Meeting in person, by attorney or proxy, by voting online or, in the case of corporate shareholders, by a corporate representative.

Appointment of Proxies

Each Shareholder entitled to vote at the Meeting may appoint a proxy to attend and vote at the Meeting. A proxy need not be a Shareholder and can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise in accordance with the instructions on the Proxy Form. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half the Shareholder's votes.

Lodgement of Proxy Documents

For an appointment of a proxy for the Meeting to be effective:

- the proxy's appointment; and
- if the appointment is signed by the appointer's attorney – the authority under which the appointment was signed (e.g. a power of attorney) or a certified copy of it,

must be received by the Company **by no later than 10.00 am Perth time on Tuesday, 27 November 2012**, using one of the following methods:

By hand:	Security Transfer Registrars Pty Ltd Alexandrea House, Suite 1 770 Canning Highway Applecross WA 6153
By post:	Security Transfer Registrars Pty Ltd PO Box 535 Applecross WA 6953
By fax:	+ 61 8 9315 2233
By email:	registrar@securitytransfer.com.au

Online Proxy Service:	You can lodge your proxy online at: www.securitytransfer.com.au <ol style="list-style-type: none">1. Log into the Investor Centre using your holding details.2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.
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New Rules for Proxies

Shareholders should note that the laws applying to proxies and voting at meetings have recently changed.

The Key Management Personnel and their Closely Related Parties are prohibited from voting as proxies on Resolution 1 (Adoption of the Remuneration Report) and Resolution 6 (Approval of Executive Incentive Share Scheme) unless:

- the Proxy Form directs them how to vote on the Resolution; or
- in respect of Resolution 6, the proxy is the Chair of the Meeting and the appropriate box in the Proxy Form is marked authorising the Chair to vote undirected proxies in accordance with the Chair's stated voting intention. Shareholders should note that a similar exception for the Chair is not available in respect of Resolution 1.

Shareholders may direct their proxies how to vote on a Resolution by marking either "For", "Against" or "Abstain" where indicated in the Proxy Form.

If any of the Key Management Personnel or their Closely Related Parties are appointed by a Shareholder as proxy and no direction is provided as to how to vote on Resolution 1 or 6, the proxy must not cast the Shareholder's votes on that Resolution, and the votes will not be counted in calculating the required majority if a poll is called on that Resolution, except in the circumstances described in the bullet above in respect of Resolution 6 where the proxy is the Chair of the Meeting.

Accordingly, Shareholders are encouraged to direct their proxy how to vote on Resolutions 1 and 6 and should carefully read the instructions set out in the Proxy Form to ensure their votes are counted.

If a Shareholder appoints as proxy a person other than the Chair of the Meeting and directs that person how to vote on a Resolution, where a poll is called for that Resolution and the person is not recorded as attending the Meeting or does not cast the votes on that Resolution, the Chair is taken to have been appointed as the proxy for the purposes of voting on the Resolution.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's members. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

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EXPLANATORY STATEMENT

The information in this Explanatory Statement forms part of the Notice and has been prepared for the information of Shareholders in connection with the Meeting to be held on Thursday, 29 November 2012, at 10.00 am Perth time at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia, 6000.

This Explanatory Statement should be read in conjunction with the Notice, the Notes and the Proxy Form. Terms and abbreviations used in this Explanatory Statement are defined in the Glossary.

PURPOSE OF EXPLANATORY STATEMENT

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in this Notice.

This Explanatory Statement does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions and Shareholders should seek their own financial or legal advice.

REPORTS

The annual financial report, Directors' report and auditor's report for the Company for the year ended 30 June 2012 will be put to the Meeting.

There is no requirement for Shareholders to approve these reports. However, the Chair of the Meeting will allow a reasonable opportunity for Shareholders to ask questions or make comments about these reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the:

- conduct of the audit;
- preparation and content of the auditor's report;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; or
- independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Chair of the Meeting about the management of the Company, or to the Company's auditor about the:

- the content of the auditor's report; or
- the conduct of the audit,

may be submitted no later than 5 business days before the Meeting date to the Company Secretary at PO Box Z5431, St Georges Terrace, Perth Western Australia 6831, or by facsimile on: +61 8 6141 7101.

RESOLUTIONS

1. Background to Resolution 1 - Adoption of the Remuneration Report

The Remuneration Report of the Company is included in the Directors' report in the Company's annual report for the financial year ended 30 June 2012. A copy of the Company's annual report

will be available on the Company's website at www.atlanticld.com.au as soon as it is released to Shareholders.

The Remuneration Report sets out the Company's remuneration policy and the remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the Meeting. Shareholders should note that the vote on this Resolution is advisory only and does not bind the Company or the Directors. However, the Directors will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders should also note that, pursuant to recent amendments to the Corporations Act, if at least 25% of the votes cast on the resolution to adopt the Company's remuneration report are cast against the resolution at two consecutive annual general meetings of the Company, a "spill" resolution must be put to Shareholders at the second annual general meeting. If the "spill" resolution is passed, another general meeting must be held within 90 days at which all Directors other than the Managing Director will cease to hold office, but be eligible for re-election, and an election of Directors will take place.

In addition, if at least 25% of the votes cast at an annual general meeting on a resolution to adopt the Company's remuneration report are cast against it, an explanation of the Board's proposed action (or reasons for any inaction) in response to any comments made at that annual general meeting on the remuneration report must be included in the Company's next remuneration report.

2. Background to Resolution 2 - Election of Mr Tony Veitch as a Director

Article 3.6 of the Constitution requires at least one Director to retire from office at each annual general meeting. A Director who retires in accordance with this rule is eligible for re-election. The Directors to retire are those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

Mr Tony Veitch was last re-elected at the Company's 2010 annual general meeting. Mr Veitch retires by rotation in accordance with article 3.6 of the Constitution and, being eligible, offers himself for re-election as a Director.

A brief biography for Mr Veitch is included in the Company's annual report.

Recommendation

The Directors, other than Mr Veitch, recommend that Shareholders vote in favour of Resolution 2.

3. Background to Resolution 3 - Approval of the Issue of Shares to Droxford under the Class A Convertible Bond Deed

On 2 March 2012, the Company entered into a Convertible Bond Deed which provided for the issue of 3 year Convertible Bonds to its largest Shareholder, Droxford, to raise \$30 million.

The proposed issue of the Convertible Bonds formed part of a \$41.7 million funding package to provide further funding for the Windimurra vanadium project.

On 6 March 2012, the Company issued \$20 million face value of Convertible Bonds to Droxford and on 30 March 2012, the Company issued a further \$10 million face value of Convertible Bonds to Droxford. As a result, Droxford currently holds \$30 million face value of these Convertible Bonds (now reclassified as Class A Convertible Bonds – see below).

On 3 August 2012, as part of the Company's agreement with Droxford to issue Class B Convertible Bonds, the Convertible Bond Deed was amended for the following purposes:

- to redesignate the Convertible Bonds as Class A Convertible Bonds having different terms and conditions from the Class B Convertible Bonds; and
- to amend some of the terms and conditions of the Class A Convertible Bonds in order to align the existing terms and conditions with the terms and conditions of the Class B Convertible Bonds.

References in this Notice and Explanatory Statement to the Class A Convertible Bond Deed are references to the Convertible Bond Deed dated 2 March 2012, as amended on 3 August 2012.

Each Class A Convertible Bond has a face value of \$1 million, but the Principal Amount of each Class A Convertible Bond may increase as a result of the capitalisation of interest as described below.

The Class A Convertible Bonds do not have any rights of conversion into Shares until the Conversion Conditions have been satisfied. Approval of this Resolution is one of the Conversion Conditions. Another Conversion Condition is FIRB approval for the conversion of the Class A Convertible Bonds. If the Conversion Conditions are not satisfied by 30 November 2012, the Company must repay within six months the Principal Amount of the Class A Convertible Bonds (which includes all accrued and unpaid interest) and, in addition, if the Bondholder is Droxford or an Associate of Droxford, the Company must pay a redemption fee in an amount equal to 35% of that Principal Amount.

Once the Conversion Conditions have been satisfied, the Class A Convertible Bonds are convertible into Shares at a Conversion Price of \$0.50 per Share (being a 5% premium to the 10 day volume weighted average trading price of the Company's shares up to the date on which the Class A Convertible Bond Deed was amended on 3 August 2012).

Droxford may elect to convert some or all of the Class A Convertible Bonds at any time on or before 6 March 2015 (**the Maturity Date**). Any Class A Convertible Bonds which have not been converted on or before the Maturity Date must be repaid by the Company.

The Class A Convertible Bonds accrue interest at the rate of 17.5% per annum payable semi-annually in arrears. For the first three interest periods, at least 50% of the interest payable and (at Droxford's election) up to 100% of the interest payable, must be capitalised and added to the Principal Amount of the Class A Convertible Bonds. Thereafter, on each interest payment date, the Company must pay any interest accrued in cash. However, if Droxford requests in writing to have the interest capitalised, then the Company must add the amount of interest capitalised to the Principal Amount and such capitalised interest will itself accrue interest at the relevant interest rate. The result of such capitalisation of interest is that the Principal Amount will increase and that interest will then be calculated on the higher Principal Amount.

The number of Shares issued to Droxford on conversion is calculated by dividing the Principal Amount of the Class A Convertible Bonds outstanding by the Conversion Price. As a result, the number of Shares to be issued on Conversion of the Class A Convertible Bonds is dependent upon both:

- the Principal Amount of the Class A Convertible Bonds at the time of conversion (which may be greater than the face value of the Class A Convertible Bonds as a result of capitalised interest); and
- any changes to the Conversion Price as a result of a Conversion Price Adjustment (which may reduce the Conversion Price per Share and hence result in a greater number of Shares being issued to Droxford).

The Company is now seeking Shareholder approval under the Listing Rules and the Corporations Act for the issue of the Class A Convertible Bonds to Droxford and the resultant issue of: (a) up to 98,505,913 Shares to Droxford upon the Conversion of the Class A Convertible Bonds; and (b) such higher number of Shares upon the conversion of the Class A Convertible Bonds which may be issued as a result of any adjustment of the Conversion Price of the Class A Convertible Bonds. This approval covers the maximum number of Shares which could be issued to Droxford upon conversion of all of the Class A Convertible Bonds, assuming the maximum amount of interest which could be capitalised and added to the Principal Amount under the terms and conditions of the Class A Convertible Bond Deed and allowing for adjustments to the Conversion Price which may occur in the future. The approval of Resolution 3 will only be effective if Resolution 4 is also approved.

The maximum voting power of Droxford and its Associates following the acquisition of Shares upon conversion of both the Class A Convertible Bonds and the Class B Convertible Bonds is 69.9% as set out on page 20 of this Explanatory Statement and this is based on:

- the current Conversion Price of \$0.50 per Share;
- the maximum number of Shares which could be issued upon conversion of the Class A Convertible Bonds;
- the maximum number of Shares which could be issued upon conversion of the Class B Convertible Bonds; and
- assuming capitalisation of all interest on the Class A Convertible Bonds and the Class B Convertible Bonds and no Conversion Price Adjustment.

Because the Conversion Price may, at the time of conversion, be less than \$0.50 (if an event occurs which results in a Conversion Price Adjustment), the Company is also seeking Shareholder approval for such higher number of Shares which may be issued as a result of the Conversion Price being reduced. Because the Company does not know what events may occur in the future and the nature and extent of any Conversion Price Adjustment which may result, it is not possible to state a maximum number of Shares which may be issued in those circumstances, however Resolution 3 only extends to those additional Shares provided that the voting power of Droxford and its Associates following the acquisition of such additional Shares does not exceed 90% (see note (g) on page 15 for further information).

The events which will result in a Conversion Price Adjustment and the resulting adjustment to the Conversion Price are summarised in Schedule 1 of this Notice.

ASX has confirmed that the Class A Convertible Bonds were not "equity securities" issued or agreed to be issued by the Company under Listing Rule 7.1 because they were not convertible into Shares at the time of issue.

ASX has also confirmed that, as approval is being sought for the issue of Shares on Conversion of the Class A Convertible Bonds under item 7, section 611 of the Corporations Act, approval for the issue of Shares is not required under Chapter 7 of the Listing Rules because of the exception to Listing Rule 7.1 as provided by Listing Rule 7.2, exception 16.

4. Background to Resolutions 4 and 5 - Approval of the Issue of Shares to Droxford under the Class B Convertible Bond Deed and Approval of the Grant of Security to Droxford under the Class B Convertible Bond Deed

(a) Background

On 3 August 2012, the Company entered into the Class B Convertible Bond Deed which provided for the issue of 3 year Class B Convertible Bonds to Droxford, to raise up to \$50 million.

The proposed issue of the Class B Convertible Bonds was for the purpose of providing additional funding for further works at Windimurra and to provide working capital to support those further works.

On 8 August 2012, the Company issued \$10 million face value of Class B Convertible Bonds to Droxford and on 15 August 2012, the Company issued a further \$20 million face value of Class B Convertible Bonds to Droxford. On 8 October 2012 and on or about 22 October 2012 Droxford was allotted, pursuant to the Class B Convertible Bond Deed, an additional 2 tranches of Class B Convertible Bonds, each of \$10 million face value. As a result of the issue of the additional tranches, Droxford holds a total of \$50 million face value of Class B Convertible Bonds

Each Class B Convertible Bond has a face value of \$1 million, but the Principal Amount of each Class B Convertible Bond may increase as a result of the capitalisation of interest as described below.

The Class B Convertible Bonds do not have any rights of conversion into Shares until the Conversion Conditions have been satisfied. Approval of Resolution 4 is one of the Conversion Conditions. Another Conversion Condition is FIRB approval for the conversion of the Class B Convertible Bonds. If the Conversion Conditions are not satisfied by 30 November 2012, the Company must repay within six months the Principal Amount of the Class B Convertible Bonds (which includes all accrued and unpaid interest) and, in addition, if the Bondholder is Droxford or an Associate of Droxford, the Company must pay a redemption fee in an amount equal to 35% of that Principal Amount.

Once the Conversion Conditions have been satisfied, the Class B Convertible Bonds are convertible into Shares at a Conversion Price of \$0.50 per Share (being a 5% premium to the 10 day volume weighted average trading price of the Company's shares up to the date on which the Class B Convertible Bond Deed was executed on 3 August 2012).

Droxford may elect to convert some or all of the Class B Convertible Bonds at any time on or before the Maturity Date. Any Class B Convertible Bonds which have not been converted on or before the Maturity Date must be repaid by the Company.

The Class B Convertible Bonds accrue interest at the rate of 17.5% per annum payable semi-annually in arrears. However, if the Company is unable, on or before 10 September 2012, to obtain all necessary consents, opinions and approvals (including the approval of Resolution 5 by Shareholders) in order to procure that Midwest Vanadium Pty Ltd provides the Security in favour of Droxford, the interest rate payable on the Class B Convertible Bonds which do not have the benefit of the Security will be amended to a rate of 22.5% per annum effective from 10 September 2012. The amended interest rate of 22.5% per annum will continue in respect of each relevant Class B Convertible Bond until that Class B Convertible Bond has the benefit of the Security at which time the interest rate on that Class B Convertible Bond will revert to 17.5% per annum. As at the date of this Notice, the necessary consents, opinions and approvals have not been obtained and accordingly the interest rate on the Class B Convertible Bonds has increased to the amended rate of 22.5% per annum. The Company will provide Shareholders with an update of this matter by way of an ASX announcement on Thursday, 22 November 2012.

On each interest payment date, the Company must pay any interest accrued in cash. However, if Droxford requests in writing to have the unpaid interest capitalised, then the Company must add the amount of interest capitalised to the Principal Amount and such capitalised interest will itself accrue interest at the relevant interest rate.

The number of Shares issued to Droxford on conversion is calculated by dividing the Principal Amount of the Class B Convertible Bonds outstanding by the Conversion Price. As a result, the number of Shares to be issued on Conversion of the Class B Convertible Bonds is dependent upon both:

- the Principal Amount of the Class B Convertible Bonds at the time of conversion (which may be greater than the face value of the Class B Convertible Bonds as a result of capitalised interest); and
- any changes to the Conversion Price as a result of a Conversion Price Adjustment (which may reduce the Conversion Price per Share and hence result in a greater number of Shares being issued to Droxford).

The Company is now seeking Shareholder approval under the Listing Rules and the Corporations Act for the issue of up to \$50 million of the Class B Convertible Bonds to Droxford and the resultant issue of: (a) up to 171,151,972 Shares to Droxford upon the Conversion of the Class B Convertible Bonds; and (b) such higher number of Shares upon the conversion of the Class B Convertible Bonds which may be issued as a result of any adjustment of the Conversion Price of the Class B Convertible Bonds. This approval covers the maximum number of Shares which could be issued to Droxford upon conversion of all of the Class B Convertible Bonds, assuming the maximum amount of interest which could be capitalised and added to the Principal Amount under the terms and conditions of the Class B Convertible Bond Deed, and allowing for adjustments to the Conversion Price which may occur in the future. The approval of Resolution 4 will only be effective if Resolution 3 is also approved.

In Resolution 5, the Company is also seeking Shareholder approval under Listing Rule 10.1 for the Company to grant the Security in favour of Droxford in accordance with the terms and conditions of the Class B Convertible Bond Deed. Resolution 5 is not subject to or conditional upon the approval of Resolutions 3 and 4. Further, if Resolutions 3 and 4 are approved, they will be effective even if Resolution 5 is not approved.

Whilst the Security to be granted under the terms and conditions of the Class B Convertible Bond Deed is security that ranks pari passu in all respects with the security provided to the holders of the US\$335,000,000 11½% Senior Secured Notes due 2018 under the MVPL Indenture, the Security being approved under Resolution 5 includes any alternative ranking security acceptable to Droxford. The Company is currently in discussions with the holders of Senior Secured Notes under the MVPL Indenture and as at the date of this Notice the Senior Secured Noteholders have not agreed to grant the Security to Droxford. The Company will provide Shareholders with an update of the discussions with the holders of the Senior Secured Notes by way of an announcement to the ASX on Thursday, 22 November 2012.

The maximum voting power of Droxford and its Associates following the acquisition of Shares upon conversion of both the Class A Convertible Bonds and the Class B Convertible Bonds is 69.9% as set out on page 20 of this Explanatory Statement and this is based on:

- the current Conversion Price of \$0.50 per Share;
- the maximum number of Shares which could be issued upon conversion of the Class A Convertible Bonds;
- the maximum number of Shares which could be issued upon conversion of the Class B Convertible Bonds; and
- assuming capitalisation of all the interest on the Class A Convertible Bonds and the Class B Convertible Bonds and no Conversion Price Adjustment.

Because the Conversion Price may, at the time of conversion, be less than \$0.50 (if an event occurs which results in a Conversion Price Adjustment), the Company is also seeking Shareholder approval for such higher number of Shares which may be issued as a result of the Conversion Price being reduced. Because the Company does not know what events may occur in the future and the nature and extent of any Conversion Price Adjustment which may result, it is not possible to state a maximum number of Shares which may be issued in those circumstances, however Resolution 4 only extends to those additional Shares provided that the voting power of Droxford

and its Associates following the acquisition of such additional Shares does not exceed 90% (see note (g) on page 15 for further information).

The events which will result in a Conversion Price Adjustment and the resulting adjustment to the Conversion Price are summarised in Schedule 1 of this Notice.

ASX has confirmed that the Class B Convertible Bonds were not "equity securities" issued or agreed to be issued by the Company under Listing Rule 7.1 because they were not convertible into Shares at the time of issue.

ASX has also confirmed that, as approval is being sought for the issue of Shares on Conversion of the Class B Convertible Bonds under item 7, section 611 of the Corporations Act, approval for the issue of Shares is not required under Chapter 7 of the Listing Rules because of the exception to Listing Rule 7.1 as provided by Listing Rule 7.2 exception 16.

(b) About Droxford

Droxford is a company incorporated in the British Virgin Islands and whose registered office is situated at PO Box 957, Offshore Corporations Centre, Road Town, Tortola, British Virgin Islands. Droxford operates from Singapore and its business premises are located at 75 Bukit Timah Road, #05-01/02 Boon Siew Building, Singapore, 229833.

Droxford's sole shareholder and sole director is Mr Anthoni Salim, an Indonesian citizen and permanent resident of Singapore. Mr Salim is the President and Chief Executive Officer of the Salim Group, one of Indonesia's largest conglomerates.

(c) Independent Expert's Opinion

The Company has appointed the Independent Expert to prepare the Independent Expert Report, the purpose of which is to state whether or not, in its opinion, the issue of Shares upon conversion of the Convertible Bonds and grant of the Security to Droxford is 'fair and reasonable' to Shareholders. The Independent Expert Report has been prepared in order to satisfy the requirements for Shareholder approval under both section 611, item 7 of the Corporations Act (see paragraph (l) on page 22) and ASX Listing Rule 10.10 (see page 23).

The Independent Expert has concluded that:

- the issue of the Shares upon conversion of the Convertible Bonds is fair and reasonable to the Company's non-associated shareholders; and
- the grant by MVPL of the Security is fair and reasonable to the Company's non-associated shareholders.

A complete copy of the Independent Expert Report is provided in Annexure A to this Notice and is also available on the Company's website at www.atlanticld.com.au. Shareholders may request a hard copy of the Independent Expert Report from the Company at no cost by contacting the Company on telephone +61 8 6141 7100.

(d) Summary of the Terms and Conditions of the Class A Convertible Bonds

The key terms of the Class A Convertible Bonds (as amended on 3 August 2012) are set out below:

Security	Unsecured Class A Convertible Bonds
Issuer	Atlantic Ltd

Principal Amount	\$30 million plus all interest on the Class A Convertible Bonds that has not been paid by the Company from time to time
Issue Size	30 Class A Convertible Bonds (with an aggregate face value of \$30 million) comprising: (a) 20 Tranche 1 Class A Convertible Bonds (with an aggregate face value of \$20 million) allotted on 6 March 2012; and (b) 10 Tranche 2 Class A Convertible Bonds (with an aggregate face value of \$10 million) allotted on 30 March 2012
Maturity Date	6 March 2015
Issue Price/Face Value	\$1 million per Class A Convertible Bond
Transfer	The Class A Convertible Bonds are freely transferable by Droxford and any subsequent Bondholder (although they may be subject to the conditions of an ASX waiver as described at the end of this table)
Redemption	Subject to the Company not having first received a conversion notice from the Bondholder, the Company must redeem the Class A Convertible Bonds on the Maturity Date (or earlier in certain specified circumstances), by repaying to the Bondholder the Principal Amount of all Class A Convertible Bonds held by the Bondholder
Early Redemption and Redemption Fee	In circumstances where FIRB approval or Shareholder approval for the conversion of the Class A Convertible Bonds has not been obtained by 30 November 2012, repaying to the Bondholder within six months of 30 November 2012 (where FIRB approval has not been obtained) and within six months of this meeting (where Shareholder approval has not been obtained) the Principal Amount (which includes all accrued and unpaid interest) of all Class A Convertible Bonds held by the Bondholder and in addition, if the Bondholder is Droxford or an Associate of Droxford (which is currently the case), paying a redemption fee in an amount equal to 35% of that Principal Amount
Conversion	Bonds may be converted into Shares at the Bondholder's election at any time after the relevant issue date but before the Maturity Date, subject to Conversion Conditions set out in the Class A Convertible Bond Deed
Conversion Price	\$0.50 per Share (which may change as a result of a Conversion Price Adjustment)
Conversion Price Adjustment	An adjustment may be made to the conversion price of the Class A Convertible Bonds upon the occurrence of certain specified circumstances set out in the Class A Convertible Bond Deed. The events which will result in a Conversion Price Adjustment and the resulting adjustment to the Conversion

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	Price are set out in detail in Schedule 1 of this Notice
Conversion Conditions	Conversion of the Class A Convertible Bonds will be subject to all necessary approvals being obtained as set out in the Class A Convertible Bond Deed, including the Bondholder obtaining FIRB approval and the Company obtaining Shareholder approval (the subject of this notice of meeting) for the conversion of the Class A Convertible Bonds
Restriction on Conversion	A Bondholder cannot acquire any Shares on conversion of the Class A Convertible Bonds if to do so would result in there being a Change of Control under the MVPL Indenture or the Bondholder holding more than 49.9% of the Company's Shares, unless the Company has obtained a written consent, indenture amendment or waiver under the MVPL Indenture confirming that the conversion of those Class A Convertible Bonds can occur without repayment of any of the MVPL Senior Secured Notes. The Company has undertaken to use its best endeavours to obtain such consent, amendment or waiver under the MVPL Indenture. If the Company is not able to obtain such consent, indenture amendment or waiver then those bonds which are not able to be converted by the Bondholder will be redeemed at face value on the Maturity Date
Shares Issued Upon Conversion	Shares issued upon conversion of the Class A Convertible Bonds will be issued fully paid and will rank equally with all existing Shares on issue as at the date of allotment
Future Issues of Securities	<p>If the Company proposes to make a new issue of securities to its Shareholders during the term of the Class A Convertible Bonds, the Company must offer the new securities to the Bondholder on at least an equal basis to allow the Bondholder to maintain its fully diluted interest upon conversion of the Class A Convertible Bonds in the Company</p> <p>Note: The Company has applied to ASX for a waiver of Listing Rule 6.18 in relation to this provision (see note at the end of this summary table on page 11)</p>
Interest Rate	Interest at the rate of 17.5% per annum on the Principal Amount of each Class A Convertible Bond accrues daily and is payable six monthly in arrears commencing on the date six months after the first issue date (Interest Payment Date)
Capitalisation and Payment of Interest	<p>The Company must, up to and including the third Interest Payment Date:</p> <ul style="list-style-type: none"> (i) capitalise 50% of any interest accrued as at that Interest Payment Date in which event the amount of interest capitalised shall be added to the Principal Amount and shall itself accrue interest at the rate specified above; and (ii) pay all of the remaining 50% of the unpaid interest amount to the Bondholder as at that Interest Payment Date, unless the Bondholder requests the Company to capitalise the remaining 50% of the unpaid interest amount in which

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	<p>event the amount of interest capitalised shall be added to the Principal Amount and shall itself accrue interest at the rate specified above</p> <p>On each Interest Payment Date following the third Interest Payment Date, the Company must pay all interest accrued, however if the Bondholder requests the Company in writing at least 15 business days before such Interest Payment Date, the Company must capitalise the unpaid interest amount in which event the amount of interest capitalised shall be added to the Principal Amount and shall itself accrue interest at the rate specified above</p>
Principal Amortisation	Nil
Financial Indebtedness	The Company undertakes not to incur any further financial indebtedness without the consent of the Bondholder, other than certain permitted financial indebtedness which includes financial indebtedness in the ordinary course of business up to an aggregate limit of \$5 million
Negative Pledge	The Company undertakes not to incur or allow to subsist any Security Interest (other than a Permitted Security Interest) or allow any of its current subsidiaries, including Atlantic Vanadium Holdings Pty Ltd or Midwest Vanadium Pty Ltd, to incur or allow to subsist any Security Interest (other than a Permitted Security Interest) without offering an equal or more favourable security interest to the Bondholder
Mandatory Redemption if No Approval of Conversion	Failure to obtain FIRB approval or Shareholder approval for the conversion of the Class A Convertible Bonds by 30 November 2012 will result in the payment of the Redemption Fee (as set out above) if the Bondholder is Droxford or an Associate of Droxford
Use of Funds	The Company undertakes to use the funds raised to undertake further works at the Windimurra project and to provide liquidity and working capital to support the project during those works
Company Undertakings	The Company has given other undertakings to the holders of Class A Convertible Bonds. A summary of the main undertakings is set out in Schedule 2
Events of Default	If an Event of Default occurs under the Class A Convertible Bond Deed a Bondholder can require early repayment and redemption of the Class A Convertible Bonds. A summary of the Events of Default is set out in Schedule 3
Maximum Number of Shares to be Issued on Conversion	98,505,913 Shares, assuming capitalisation of all interest on the Class A Convertible Bonds and no Conversion Price Adjustment
Voting Rights	Bondholders have no right to vote at any general meeting of the Company except as required by law
Listing	The Class A Convertible Bonds will not be listed on ASX or any

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	other market
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Note: The Company has applied to ASX for a waiver of Listing Rule 6.18 to permit the terms and conditions of the Class A Convertible Bonds to include the provision granting Droxford the right to participate in new issues to the extent necessary to preserve its fully diluted interest upon Conversion of the Class A Convertible Bonds. The Company will provide Shareholders with an update on the waiver application by way of an ASX announcement on Thursday, 22 November 2012.

(e) Summary of the Terms and Conditions of the Class B Convertible Bonds

The key terms of the Class B Convertible Bonds are set out below:

Security	Unsecured Class B Convertible Bonds (having the benefit of the Security from MVPL to the extent that the Company is able to obtain all necessary opinions, approvals and consents for the Security)
Issuer	Atlantic Ltd
Principal Amount	\$50 million, plus all interest on the issued Class B Convertible Bonds that has not been paid by the Company from time to time
Issue Size	50 Class B Convertible Bonds (with an aggregate face value of \$50 million) comprising: <ul style="list-style-type: none"> (a) 10 Tranche 1 Class B Convertible Bonds (with an aggregate face value of \$10 million) allotted on 8 August 2012; (b) 20 Tranche 2 Class B Convertible Bonds (with an aggregate face value of \$20 million) allotted on 15 August 2012; (c) 10 Tranche 3 Class B Convertible Bonds (with an aggregate face value of \$10 million) allotted on 8 October 2012; and (d) 10 Tranche 4 Class B Convertible Bonds (with an aggregate face value of \$10 million) allotted on or about 22 October 2012
Maturity Date	6 March 2015
Issue Price/Face Value	\$1 million per Class B Convertible Bond
Transfer	The Class B Convertible Bonds are freely transferable by Droxford and any subsequent Bondholder (although they may be subject to the conditions of an ASX waiver as described at the end of this table)
Redemption	Subject to the Company not having first received a conversion notice from the Bondholder, the Company must redeem the Class B Convertible Bonds on the Maturity Date (or earlier in certain specified circumstances), by repaying to the Bondholder the Principal Amount of all Class B Convertible

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	Bonds held by the Bondholder
Early Redemption and Redemption Fee	In circumstances where FIRB approval or Shareholder approval for the conversion of the Class B Convertible Bonds has not been obtained by 30 November 2012, repaying to the Bondholder within six months of 30 November 2012 (where FIRB approval has not been obtained) and within six months of this meeting (where Shareholder approval has not been obtained) the Principal Amount (which includes all accrued and unpaid interest) of all Class B Convertible Bonds held by the Bondholder and in addition, if the Bondholder is Droxford or an Associate of Droxford (which is currently the case), paying a redemption fee in an amount equal to 35% of that Principal Amount
Conversion	Bonds may be converted into Shares at the Bondholder's election at any time after the relevant issue date but before the Maturity Date, subject to the Conversion Conditions set out in the Class B Convertible Bond Deed
Conversion Price	\$0.50 (which may change as a result of a Conversion Price Adjustment)
Conversion Price Adjustment	An adjustment may be made to the conversion price of the Class B Convertible Bonds upon the occurrence of certain specified circumstances set out in the Class B Convertible Bond Deed. The events which will result in a Conversion Price Adjustment and the resulting adjustment to the Conversion Price are set out in detail in Schedule 1 of this Notice
Conversion Conditions	Conversion of the Class B Convertible Bonds will be subject to all necessary approvals being obtained as set out in the Class B Convertible Bond Deed, including the Bondholder obtaining FIRB approval and the Company obtaining Shareholder approval (the subject of this notice of meeting) for the conversion of the Class B Convertible Bonds
Restriction on Conversion	A Bondholder cannot acquire any Shares on conversion of the Class B Convertible Bonds if to do so would result in there being a Change of Control under the MVPL Indenture or the Bondholder holding more than 49.9% of the Company's Shares, unless the Company has obtained a written consent, indenture amendment or waiver under the MVPL Indenture confirming that the conversion of those Class B Convertible Bonds can occur without repayment of any of the MVPL Senior Secured Notes. The Company has undertaken to use its best endeavours to obtain such consent, amendment or waiver under the MVPL Indenture. If the Company is not able to obtain such consent, amendment or waiver then those bonds which are not able to be converted by the Bondholder will be redeemed at face value on the Maturity Date
Shares Issued Upon Conversion	Shares issued upon conversion of the Class B Convertible Bonds will be issued fully paid and will rank equally with all existing Shares on issue as at the date of allotment

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<p>Future Issues of Securities</p>	<p>If the Company proposes to make a new issue of securities to its Shareholders during the term of the Class B Convertible Bonds, the Company must offer the new securities to the Bondholder on at least an equal basis to allow the Bondholder to maintain its fully diluted interest upon conversion of the Class B Convertible Bonds in the Company</p> <p>Note: The Company has applied to ASX for a waiver of Listing Rule 6.18 in relation to this provision (see note at end of table on page 14)</p>
<p>Interest Rate</p>	<p>Interest at the rate of 17.5% per annum on the Principal Amount of each Class B Convertible Bond accrues daily and is payable six monthly in arrears commencing on the date six months after the relevant issue date (Interest Payment Date). If the Company is unable, on or before 10 September 2012, to obtain all necessary opinions, approvals and consents in order to procure that Midwest Vanadium Pty Ltd provides the Security, the interest rate payable in respect of those Class B Convertible Bonds which do not have the benefit of the Security shall be amended to the rate of 22.5% per annum effective from 10 September 2012. The amended interest rate of 22.5% per annum shall continue in respect of each relevant Class B Convertible Bond until such time as that Class B Convertible Bond has the benefit of the Security at which time the interest rate on that Class B Convertible Bond will revert to 17.5% per annum*</p> <p>* Note: The Company is currently in discussions with the holders of Senior Secured Notes under the MVPL Indenture. As at the date of this Notice, the holders of the Senior Secured Notes have not agreed to grant the Security and accordingly the interest rate on the Class B Convertible Bonds has increased to 22.5% per annum effective from 10 September 2012. The Company will provide Shareholders with an update of this matter by way of an announcement to the ASX on Thursday, 22 November 2012</p>
<p>Capitalisation and Payment of Interest</p>	<p>The Company must, on each Interest Payment Date:</p> <ul style="list-style-type: none"> (i) subject to paragraph (ii) below, pay any interest accrued as at that Interest Payment Date; or (ii) if the Bondholder requests the Company in writing at least 15 business days before an Interest Payment Date, capitalise the unpaid interest amount in which event the amount of interest capitalised shall be added to the Principal Amount and shall itself accrue interest at the rate specified above
<p>Principal Amortisation</p>	<p>Nil</p>
<p>Financial Indebtedness</p>	<p>The Company undertakes not to incur any further financial indebtedness without the consent of the Bondholder, other than certain permitted financial indebtedness which includes financial indebtedness in the ordinary course of business up to an aggregate limit of \$5 million</p>

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Negative Pledge	Other than any Security which Midwest Vanadium Pty Ltd provides in favour of the Bondholder, the Company undertakes not to incur or allow to subsist any Security Interest (other than a Permitted Security Interest) or allow any of its current subsidiaries, including Atlantic Vanadium Holdings Pty Ltd or Midwest Vanadium Pty Ltd, to incur or allow to subsist any Security Interest (other than a Permitted Security Interest) without offering an equal or more favourable security interest to the Bondholder
Mandatory Redemption if No Approval of Conversion	Failure to obtain FIRB approval or Shareholder approval for the conversion of the Class B Convertible Bonds by 30 November 2012 will result in the payment of the Redemption Fee (as set out above) if the Bondholder is Droxford or an Associate of Droxford
Use of Funds	The Company undertakes to use the funds raised to undertake further works at the Windimurra project and to provide liquidity and working capital to support the project during those works
Company Undertakings	The Company has given other undertakings to the holders of Class B Convertible Bonds. A summary of the main undertakings is set out in Schedule 2
Events of Default	If an Event of Default occurs under the Class B Convertible Bond Deed a Bondholder can require early repayment and redemption of the Class B Convertible Bonds. A summary of the Events of Default is set out in Schedule 3
Maximum Number of Shares to be Issued on Conversion	171,151,972 Shares, assuming capitalisation of all interest on the Class B Convertible Bonds and no Conversion Price Adjustment
Voting Rights	Bondholders have no right to vote at any general meeting of the Company except as required by law
Listing	The Class B Convertible Bonds will not be listed on ASX or any other market

Note: The Company has applied to ASX for a waiver of Listing Rule 6.18 to permit the terms and conditions of the Class B Convertible Bonds to include the provision granting Droxford the right to participate in new issues to the extent necessary to preserve its fully diluted interest upon Conversion of the Class B Convertible Bonds. The Company will provide Shareholders with an update on the waiver application by way of an ASX announcement on Thursday, 22 November 2012.

(f) Advantages if Resolutions 3 and 4 are Approved

The key advantages to the Company if the Resolutions are approved are:

- the issue of the Convertible Bonds has raised funds that have been and will be used to undertake further works at the Windimurra project and to provide working capital to support the ramp-up of production at Windimurra;

- approving the conversion of the Convertible Bonds ensures that the Company does not need to redeem the bonds within six months of the date of this meeting and pay a Redemption Fee of 35% of the face value of the Convertible Bonds;
- the Conversion Price is 50 cents per Share and is above the current market price of the Company's Shares;
- providing Droxford with the ability to convert the Convertible Bonds provides another mechanism by which the Company can repay the Convertible Bonds on maturity without having to repay the Convertible Bonds in cash - conversion of the Convertible Bonds will improve Atlantic's net asset position by approximately \$61.7 million, reflecting a reduction in the liability component of the Convertible Bonds currently recorded in the balance sheet of Atlantic for accounting purposes; and
- the conversion of the Convertible Bonds will increase Droxford's overall interest in the Company from approximately 17.4% to up to a maximum of 69.9% which would generally be expected to further incentivise Droxford to work towards the future success of Atlantic.

(g) Key Risks and Disadvantages if Resolutions 3 and 4 are Approved

The key risks and disadvantages to the Company if the Resolutions are approved are:

- there will be dilution to the percentage interests of Shareholders (other than Droxford) in the capital of the Company from any conversion of the Convertible Bonds;
- if the Convertible Bonds are all issued and converted in full, and assuming capitalisation of all interest on the Convertible Bonds and no Conversion Price Adjustment, Droxford will increase its interest in the Company from approximately 17.4% to approximately 69.9% (or 49.9% if a written consent, indenture amendment or waiver under the MVPL Indenture is not obtained - see summary of terms under "Restriction on Conversion" at pages 9 and 12 of this Notice). Whilst Droxford has not and has not indicated it will seek to exert any control over the Board of the Company or its activities, there is a risk that as a result of Droxford's increased percentage Shareholding in the Company, it may seek to exert more control over the Board of the Company or over the activities of the Company in future;
- if as a result of the Conversion of the Convertible Bonds, Droxford holds voting power in Atlantic of at least 90% (see paragraph (c) on page 20 of this Notice), then Droxford may, in certain circumstances, have the right to compulsorily acquire the remaining Shares in the Company from Shareholders at a price nominated by Droxford. If this occurred, Droxford could proceed to full ownership and control of the Company, you would have to sell your Shares to Droxford and the Company would then no longer be listed on ASX. The price paid by Droxford to compulsorily acquire your Shares might be less than the price you would like to obtain for the Shares;
- the conversion of the Convertible Bonds will result in a decrease in the Company's unaudited net tangible asset backing per Share from \$0.56 per Share (as at 30 June 2012) to \$0.54 per Share, reflecting the conversion price lies below the current net tangible asset backing per Share recorded in the books of the Company;
- there is a risk that the Company may be required to seek further funding which may result in a Conversion Price Adjustment which could result in Droxford increasing its interest in the Company to greater than 69.9% as more Shares would be issued upon conversion of the Convertible Bonds in these circumstances;
- if the Bondholder is restricted to holding no more than 49.9% of the Company's Shares because the Company has not been able to obtain the written consent, indenture amendment or waiver under the MPVL Indenture confirming that the conversion of those Bonds can occur without repayment of any of the MPVL Senior Secured Notes, then the Company may have to repay up to \$84.4 million to redeem those Bonds which are not

converted at face value on the Maturity Date. This assumes capitalisation of all interest on the Class A and Class B Convertible Bonds until the Maturity Date;

- the issue and/or conversion of the Convertible Bonds by Droxford may result in a decrease in liquidity of Shares on ASX as Droxford's fully diluted equity interest may discourage other major Shareholders from acquiring further Shares; and
- there is a risk that Droxford's ability to acquire a large shareholding in the Company from the conversion of the Convertible Bonds may also reduce the likelihood of a takeover bid for the Company being made and hence any control premium in the price of Shares.

(h) Key Risks and Disadvantages if Resolutions 3 and 4 are Not Approved

The key risks and disadvantages to the Company if the Resolutions are not approved are:

- under the terms of the Convertible Bonds, the Company will be required to redeem the Convertible Bonds and repay the total face value of all the Convertible Bonds of up to \$80 million plus capitalised interest on the date that is six months after the date of the meeting, unless a subsequent general meeting has been held and Shareholders have subsequently approved the conversion of the Convertible Bonds;
- in addition, the Company will be required to pay a Redemption Fee of 35% of the Principal Amount on the Class A Convertible Bonds and the Class B Convertible Bonds due to Droxford or any Associate of Droxford which is a Bondholder at that date. This Redemption Fee would be up to an additional \$32.9 million if the Redemption Fee were to be payable as at 30 April 2013 and assuming capitalisation of all interest on the Class A Convertible Bonds and the Class B Convertible Bonds; and
- if the above payments were required to be made, the Company is unlikely to have the cash available to repay the Convertible Bonds and pay the Redemption Fee and would need to sell assets or seek alternative sources of funding and there can be no guarantee that such financing would be available. If this were to happen there is a real prospect that the Company would be unable to continue as a going concern.

(i) Approvals

Section 611 of the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of that transaction, that person's or someone else's voting power increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% to below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act.

The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest in.

A person has a relevant interest in securities of a company if they individually, or jointly:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

- (c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting shares if shareholders of the company approve the acquisition.

For the exemption of item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that was material to the decision of how to vote on the resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to shareholders in these circumstances.

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

(a) The Identity of the Person Proposing to Make the Acquisition and Their Associates

The Company issued the Convertible Bonds to its largest Shareholder, Droxford. Upon satisfaction of the Conversion Conditions, Droxford will have the right to convert the Convertible Bonds into Shares as set out in the Convertible Bond Deeds. Any Shares issued on the conversion of the Convertible Bonds will be issued to Droxford.

The following persons are Associates of Droxford in relation to the Company and will have a relevant interest in any Shares acquired upon conversion:

Entity	Address
Mr Anthoni Salim	C/- 75 Bukit Timah Road, #05-01/02, Boon Siew Building, Singapore 229833
Ace Aim Pte Ltd	151 Cavenagh Road, #03-151 Cavenagh Court, Singapore 229628
Ettason Pty Ltd (ACN 002 837 390)	Unit 1, 2B Birmingham Avenue, Villawood, NSW 2163 Australia
Willalpha Enterprises Limited	PO Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
Universal Integrated Corporation Consumer Products Pte Ltd	75 Bukit Timah Road, #05-01/02, Boon Siew Building, Singapore 229833
Food Empire Holdings Limited	50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
First Pacific Company Limited	24/F Two Exchange Square, 8 Connaught Place, Central Hong Kong
Pacific Agrifoods Investments Pty Ltd (ACN 107 939 471)	7 Yaringa Road, Castle Hill, NSW 2154 Australia

(b) Effect of the Approval on the Company's Capital Structure

Important Notes:

- a Bondholder cannot acquire any Shares on conversion of the Class A Convertible Bonds or Class B Convertible Bonds if to do so would result in there being a Change of Control under the MVPL Indenture or the Bondholder holding more than 49.9% of the Company's Shares unless the Company has obtained a written consent, indenture amendment or waiver under the MVPL Indenture confirming that the conversion of those Class B Convertible Bonds can occur without repayment of any of the MVPL Senior Secured Notes. The Company has undertaken to use its best endeavours to obtain such consent, amendment or waiver under the MVPL Indenture; and
- if an event occurs which results in a Conversion Price Adjustment, then the Conversion Price may be lower than \$0.50 with the result that more Shares will be issued upon conversion and this could result in the maximum shareholding and maximum voting power of Droxford and its Associates increasing beyond the numbers and percentages set out in this section. Because of this the Company is also seeking Shareholder approval for any higher number of Shares which may be issued as a result of the Conversion Price being reduced (provided that the voting power of Droxford and its associates following the acquisition of such higher number of Shares does not exceed 90%). Because the Company does not know what events may occur in future and the nature and extent of any Conversion Price Adjustment which may result, it is not possible to state a maximum number of Shares which may be issued in those circumstances, however the maximum voting power of Droxford and its associates which Shareholders are being asked to approve is 90%.

The Company's existing capital structure as at the date of this Explanatory Statement is as follows:

Class	Number
Fully paid ordinary Shares	154,757,339
B Class performance shares	66

The number of issued Shares held by substantial Shareholders (including Droxford) and their percentage holding as at the date of this Explanatory Statement is as follows:

Shareholder	Number	Percentage
Droxford	26,958,333	17.4%
Michael Minosora	21,091,661	13.6%
Prosperous Global Assets Ltd	13,496,214	8.7%

The Company's capital structure following conversion of all of the Convertible Bonds and assuming:

- all interest under the Convertible Bonds has been capitalised to the extent permitted under the Convertible Bond Deeds;
- the Security is not available on the Class B Convertible Bonds, so the interest rate payable increases to 22.5% per annum from 10 September 2012 until the Maturity Date;
- the Company has obtained a written consent, indenture amendment or waiver under the MVPL Indenture confirming that Droxford can hold greater than 49.9% without repayment of any of the MVPL Senior Secured Notes; and

- no other issues of Shares have been made to any person,
 is as follows:

Class	Number
Fully paid ordinary Shares	424,415,225
B Class performance shares	66

The number of issued Shares held by substantial Shareholders (including Droxford) and their percentage holding following conversion of all of the Convertible Bonds and assuming:

- all interest under the Convertible Bonds has been capitalised to the extent permitted under the Convertible Bond Deeds;
- the Security is not available on the Class B Convertible Bonds so the interest rate payable increases to 22.5% per annum from 10 September 2012 until the Maturity Date;
- the Company has obtained a written consent, indenture amendment or waiver under the MVPL Indenture confirming that Droxford can hold greater than 49.9% without repayment of any of the MVPL Senior Secured Notes; and
- no other issues of Shares have been made to any person,

and assuming the other substantial Shareholders do not change their shareholdings in the Company is as follows:

Shareholder	Number	Percentage
Droxford	296,616,219	69.9%
Michael Minosora	21,091,661	5.0%

(c) The Maximum Extent of the Increase in the Voting Power and the Maximum Voting Power of Droxford and its Associates Which Would Result From the Issue of Shares on Conversion of the Convertible Bonds

The number of Shares held and the resulting voting power of Droxford and each of its Associates as at the date of this Explanatory Statement is as follows:

Shareholder	Number of Shares	Voting Power
Droxford	26,958,333	17.4%

The maximum voting power and the maximum increase in voting power held by Droxford and each of its Associates following conversion of all of the Convertible Bonds at a Conversion Price of \$0.50 and assuming:

- all interest under the Convertible Bonds has been capitalised to the extent permitted under the Convertible Bond Deeds;
- the Security is not available on the Class B Convertible Bonds so the interest rate payable increases to 22.5% per annum from 10 September 2012 until the Maturity Date;
- the Company has obtained a written consent, indenture amendment or waiver under the MVPL Indenture confirming that Droxford can hold greater than 49.9% without repayment of any of the MVPL Senior Secured Notes; and

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- no other issues of Shares have been made to any person,

is as follows:

Shareholder	Maximum Voting Power*	Maximum Increase in Voting Power*
Droxford	69.9%	52.5%

* the maximum voting power set out above assumes that no Conversion Price Adjustment has occurred between the date of this Explanatory Statement and the date on which conversion occurs. If an event occurs which results in a Conversion Price Adjustment, then the Conversion Price may be lower than \$0.50 with the result that more Shares will be issued upon conversion and this could result in the maximum voting power of Droxford and its Associates increasing beyond the percentages set out above, however the maximum voting power of Droxford and its associates which Shareholders are being asked to approve is 90%.

(d) The Identity, Relevant Professional and Commercial Experience and Associations with Droxford (and Any of its Associates) and Qualifications of Any Person Intended to Become a Director if Shareholders Approve the Resolutions

No person is intended to or will become a Director if Shareholders approve the Resolutions.

An existing non executive director of the Company, Mr Phiong Phillipus Darma, is a senior executive of the Salim Group. The Salim Group has common ownership with Droxford. Mr Phiong Phillipus Darma is not an Associate of Droxford for the purpose of the Resolutions and does not have a relevant interest in any Shares held by or to be issued to Droxford upon conversion of the Convertible Bonds. Mr Phiong Phillipus Dharma presently intends to continue as a Director, whether or not Shareholders approve the Resolutions.

(e) Droxford's intentions regarding the future of the Company if Shareholders approve the Resolutions and the Shares are issued to Droxford on conversion of the Convertible Bonds

Droxford has provided the Company with the following information to assist it to meet its obligations under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section (e). Droxford makes no statement or representation in relation to the Company, or its intentions in respect of the Company, which may change if it becomes aware of information that is not currently available to it, except as set out below:

- Business of the Company:* Droxford has no intention to make any change to the business of the Company.
- Capital of the Company:* Droxford has no current intention to inject any further capital into the Company (other than permitted under the Class B Convertible Bond Deed), however reserves the right to inject further capital into the Company should it be required.
- Present employees:* Droxford has no intention to make changes to the Company's existing employees.
- Transfer of property:* Droxford has no intention to transfer any of the Company's property.
- Redeployment of fixed assets:* Droxford has no intention to redeploy any of the Company's fixed assets.

(f) Particulars of the Terms of the Proposed Allotments and Any Contract or Proposed Contract between Droxford and the Company or Any of Their Associates Which is Conditional Upon, or Directly or Indirectly Dependent on, Shareholder's Agreement to the Allotment of Shares to Droxford

There are no contracts or proposed contracts between Droxford and the Company or any of their Associates which is conditional upon, or directly or indirectly dependent on, Shareholder's agreement to the allotment of Shares to Droxford.

(g) When will the issue of Shares to Droxford be completed

Shares will be issued only if the Convertible Bonds are converted by Droxford, which can occur at any time on or before the Maturity Date, being 6 March 2015.

(h) Explanation of the reasons for the proposed issue of the Convertible Bonds to Droxford and the resultant issue of Shares to Droxford on conversion of the Convertible Bonds

The Convertible Bonds were issued to provide further funding for the Windimurra project owned by the Company and to provide working capital to support these further works. The resultant issue of Shares on conversion of the Convertible Bonds is to meet the terms of issue of the Convertible Bonds and as a mechanism for repayment of the Convertible Bonds other than by way of cash.

The Directors of the Company consider that it is in the best interests of the Company to issue the Class A Convertible Bonds and the Class B Convertible Bonds because the Company has an urgent need for further funding for the Windimurra project. The Directors of the Company:

- have endeavoured to identify alternative means of sourcing the necessary funds and no commercially viable alternative has been identified;
- consider that the terms of the issue of the Class A Convertible Bonds and the Class B Convertible Bonds reflect commercial arms-length terms having regard to the urgency of the funding requirement and the lack of viable alternatives; and
- consider that the issue of the Class A Convertible Bonds and the Class B Convertible Bonds represents the most viable means for Atlantic to source the necessary funds.

(i) Interests of the Directors in the Resolution

The Directors do not have any material personal interest in the outcome of the Resolution other than their interests arising solely in their capacity as Shareholders.

(j) Directors' Recommendation

The Board is currently comprised of the following Directors:

- (a) Mr Michael Minosora - Executive Chairman and Managing Director
- (b) Mr Tony Veitch - Executive Director
- (c) Mr Phiong Phillipus Darma - Non Executive Director

Mr Minosora and Mr Veitch each recommend that Shareholders vote in favour of the Resolutions and Mr Minosora and Mr Veitch intend to vote (in their capacity as Shareholders) in favour of the Resolutions.

As Mr Phiong is a senior executive of the Salim Group of Companies, and the Salim Group has common ownership with Droxford, Mr Phiong considers that he should not make any recommendation in relation to the Resolutions.

The reasons why Mr Minosora and Mr Veitch are recommending that Shareholders vote in favour of the resolutions are set out in paragraph (f) – “Advantages if Resolutions 3 and 4 are Approved” on pages 14 and 15 of this Notice.

(k) Intentions of Droxford to Change Significantly the Financial or Dividend Policies of the Company

There is no intention to change the financial or dividend policies of the Company.

(l) Independent Expert Report - Analysis of Whether the Issue of the Shares to Droxford is Fair and Reasonable When Considered in the Context of the Interests of Shareholders Other Than Shareholders Associated with Droxford

The Company has appointed the Independent Expert to prepare the Independent Expert Report, the purpose of which is to state whether or not, in its opinion, the issue of the Shares upon conversion of the Convertible Bonds and grant of the Security to Droxford is 'fair' and 'reasonable' to Shareholders.

The Independent Expert has concluded that the issue of the Shares upon conversion of the Convertible Bonds is fair and reasonable to the Company's non-associated shareholders.

A complete copy of the Independent Expert Report is provided in Annexure A to this Notice and is also available on the Company's website at www.atlanticltd.com.au.

(m) Financial Impact of the Convertible Bonds

The financial impact of the issue of the Convertible Bonds is set out in the pro forma consolidated balance sheet of the Company as at 30 June 2012 set out below. This consolidated pro forma balance sheet shows the audited accounts of the Company as at 30 June 2012 following the issue of \$20 million of Class A Convertible Bonds on 6 March 2012 and \$10 million of Class A Convertible Bonds on 30 March 2012. The first column of the pro forma then makes the following adjustments to account for the issue of the Class B Convertible Bonds:

- (a) Increase in cash and cash equivalents of \$50,000,000;
- (b) Increase in loans and borrowings of \$32,249,000; and
- (c) Increase in financial derivative liabilities of \$17,751,000.

The consolidated pro forma balance sheet has then been adjusted to show the pro forma impact of the conversion of all the Class A Convertible Bonds and Class B Convertible Bonds assuming they were all converted as at 30 June 2012. The second column of the pro forma then makes the following adjustments to account for the conversion of the Class A Convertible Bonds and Class B Convertible Bonds:

- (a) Decrease in loans and borrowings of \$51,457,000;
- (b) Decrease in financial derivative liabilities of \$30,908,000;
- (c) Increase in contributed equity of \$80,000,000; and
- (d) Decrease in accumulated losses of \$2,365,000.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Statement that would be relevant to Shareholders in deciding how to vote on the Resolutions.

Approvals under item 7 of section 611 of the Corporations Act sought at this Meeting will be on the basis of the issue of the Convertible Bonds and the resultant issue of Shares upon the conversion of the Convertible Bonds.

Listing Rule 10.1

Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a "substantial asset" from, or dispose of a substantial asset to, any of the following persons without the approval of shareholders:

- (a) a related party;
- (b) a subsidiary;
- (c) a "substantial holder", if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities;
- (d) an associate of a person referred to in (a) to (c) above; or
- (e) a person whose relationship to the Company is such that, in ASX's opinion, the transaction should be approved by shareholders.

Droxford is a "substantial holder" for the purposes of Listing Rule 10.1 because as at the date of this Explanatory Memorandum it holds a relevant interest in 17.4% of the Company's issued shares.

Under the Listing Rules, "dispose" is defined as meaning to dispose of something, or agree to dispose of something by any means, whether directly or through another person, and includes the use of an asset as collateral. On this basis, the granting of the Security will be considered a "disposal" of an asset of the Company for the purposes of Listing Rule 10.1.

Pursuant to Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. Based on the latest accounts given to ASX by the Company at the time of execution of the Class B Convertible Bond Deed, being the Company's half year report for the six months ended 31 December 2011 lodged with ASX on 14 March 2012, the Company's equity interests were \$82,780,000. As a result, an asset will be a "substantial asset" of the Company if it is valued at or above \$4,139,000. The total value of the assets secured by the Security (if granted) will be greater than \$4,139,000 and the granting of the Security will therefore constitute the "disposal" of a substantial asset to Droxford for the purpose of Listing Rule 10.1.

Accordingly, approval is now being sought under Resolution 5 for the purposes of Listing Rule 10.1 and for all other purposes for the disposal of a substantial asset to Droxford which may result from the granting of the Security to Droxford.

In accordance with Listing Rule 10.10, the Company has appointed the Independent Expert to prepare an Independent Expert Report, the purpose of which is to consider whether the transaction by which the Security may be granted to Droxford is 'fair' and 'reasonable' to Shareholders other than Droxford and any other person whose votes must be disregarded under Resolution 5.

The Independent Expert has concluded that the grant of the Security is fair and reasonable to the Company's non-associated shareholders.

A complete copy of the Independent Expert Report is set out in Annexure A to this Notice.

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ATLANTIC LTD GROUP
CONSOLIDATED BALANCE SHEET

as at 30 June 2012

		Unaudited		
	30 June 2012	Adjustments for Issue of Class B Convertible Bonds	Adjustments for Conversion of Class A and Class B Convertible Bonds	Pro Forma Balance Sheet post Conversion of Convertible Bonds
	A'000\$	A'000\$	A'000\$	A'000\$
CURRENT ASSETS				
Cash and Cash Equivalents	24,084	50,000		74,084
Trade and Other Receivables	2,388			2,388
Inventory	9,935			9,935
Other Current Assets	3,165			3,165
TOTAL CURRENT ASSETS	39,572	50,000	-	89,572
NON CURRENT ASSETS				
Property, Plant and Equipment	459,499			459,499
Other Non Current Assets	10,717			10,717
TOTAL NON CURRENT ASSETS	470,216	-	-	470,216
TOTAL ASSETS	590,788	50,000	-	559,788
CURRENT LIABILITIES				
Trade and Other Payables	38,325			38,325
Loans and Borrowings	1,128			1,128
Provisions	3,429			3,429
TOTAL CURRENT LIABILITIES	42,882	-	-	42,882
NON CURRENT LIABILITIES				
Loans and Borrowings	335,198	32,249	(51,457)	315,990
Financial Derivative Liability	13,157	17,751	(30,908)	-
Provisions	31,582			31,582
TOTAL NON CURRENT LIABILITIES	379,937	50,000	(82,365)	347,572
TOTAL LIABILITIES	422,819	50,000	(82,365)	390,454
NET ASSETS	86,969	-	82,365	169,334
CONTRIBUTED EQUITY				
Equity	119,738		80,000	199,738
Reserves	(4,089)			(4,089)
Accumulated Losses	(28,680)		2,365	(26,315)
TOTAL EQUITY	86,969	-	82,365	169,334

5. Background to Resolution 6 - Approval of Executive Incentive Share Plan

The Company's Executive Incentive Share Plan (**Plan**) was last approved by Shareholders at the Company's 2009 Annual General Meeting.

During the financial year ended 30 June 2012, the Company implemented the Employee Loyalty & Alignment Share Plan (**ELAS**). The ELAS is now the Company's key equity incentive and retention plan. The ELAS is administered pursuant to the rules of the Plan. A summary of the ELAS and the operation of the Plan in respect of the ELAS is set out below.

Shareholder approval of the Plan (including the ELAS) is now being sought for all purposes under the Corporations Act and the ASX Listing Rules, including but not limited to:

- ASX Listing Rule 7.2 (exception 9), so that any Shares issued under the Plan will be excluded from the calculation of the maximum number of new Shares that can be issued by the Company in any 12 month period (currently 15% of Shares previously on issue) for a period of three years from the date of approval;
- Sections 200B and 200E of the Act, to enable the Company to provide termination benefits arising under the Plan to any current or future participant in the Plan who holds:
 - a managerial or executive office in the Atlantic Limited group (**Group**) at the time of their leaving or at any time in the three years prior to their leaving; and
 - securities under the Plan at the time of their leaving,but only if those securities are granted, or if the Board exercises certain discretions under the Plan, during the period from the date that this resolution is passed through to close of the 2015 annual general meeting; and
- Section 259B(2) of the Act, to enable the Company to take security over its own Shares issued under the Plan, to the extent that this is provided for in the Plan and necessary in respect of the terms of grant of Shares under the Plan.

A summary of the key terms of the ELAS (and the Plan) is set out below. A copy of the rules of the Plan may be requested from the Company Secretary. The terms of specific grants are set out in an individual employee's offer documents.

The Atlantic Ltd Employee Loyalty & Alignment Share Plan

The ELAS has been designed to offer permanent employees of the Group a simple way to become a shareholder of the Company and be rewarded for their contribution to the development of the Group.

The ELAS provides employees with the opportunity to apply for an allocation of units (**Units**) in The Atlantic Ltd ELAS Share Trust (**Trust**). Each Unit entitles the participant to one ordinary share in the Company (**Share**). The Board determines which employees may be invited to participate in the ELAS from time to time. Participants are bound by the terms and conditions applying to each grant, the rules of the ELAS and the rules of the Plan, and the terms of the trust deed applying to the Trust.

Unless the Board determines otherwise, Units are allotted at a price established using the 10 day volume weighted average price of Shares up to the date of allotment, or other date determined by the Board. Payment for the total issue price of Units applied for is financed by way of an interest free, non-recourse loan provided by the trustee of the Trust. That is, for the purposes of the ELAS, the trustee of the Trust, and not the Company, provides an interest free non-recourse loan to each participant for the purposes of acquiring the Units. The loan terms are set out in an individual

employee's offer documents. In respect of offers made under the ELAS to date, there is no specific loan repayment date, and participants are not obliged to repay the loan following vesting unless they elect to withdraw or sell the underlying Shares, as described below.

Shares corresponding to the number of Units applied for are acquired and held by the trustee on behalf of the participant. Shares may be issued to the trustee by the Company or acquired on market. To date, new Shares have been subscribed for by the trustee. Those Shares rank equally with all other Shares on issue.

Units are subject to vesting conditions determined at the time of an offer. In respect of offers made under the ELAS to date, Units vest in three equal tranches, generally on the first, second and third anniversaries of their allotment.

In addition to the specific vesting conditions applying in respect of an offer, unvested Units will immediately vest in the following circumstances:

- the participant ceases employment with the Group due to redundancy, retirement, death or permanent disability, or in circumstances that the Board determines appropriate;
- a takeover bid under Chapter 6 of the Act is made to acquire Shares, and, while the takeover bid remains open, the Board notifies participants in writing that, in accordance with the rules of the Plan, it has waived the vesting conditions applying to any unvested Units; and
- following a Board determination in the event of a scheme of arrangement, reorganisation or reconstruction of the Company, or its amalgamation with any other company or companies that, in accordance with the rules of the Plan, it has waived the vesting conditions applying to any unvested Units.

Once Units have vested, participants can direct the trustee to redeem their Units and sell the Shares to which the Units relate on behalf of the participant (in which case the trustee will sell the Shares, deduct any outstanding loan amount from the net sale proceeds and pay the balance to the participant). Alternatively, participants can direct the trustee to redeem their Units and transfer the underlying Shares to the participant (following payment of any outstanding loan amount).

If a participant ceases employment in circumstances other than those mentioned above, any unvested Units held by the participant are forfeited (together with any entitlement to the underlying Shares). If Units are forfeited, participants are not required to repay the part of the loan associated with the forfeited Units, and that part of the loan is extinguished. If a participant ceases employment in such circumstances and holds vested Units, the participant has five days to withdraw or direct the trustee to sell any Shares associated with vested Units. If no action is taken within the five day period, the Units are forfeited and the applicable loan extinguished. At the discretion of the trustee, the participant may be paid an amount equal to the value by which the vested Units exceed the amount of the loan associated with those Units.

As noted above, if a participant ceases employment in certain circumstances while holding Units, their unvested Units vest, and the participant has three months to withdraw or direct the trustee to sell the Shares underlying those vested Units. If no action is taken within the three month period, the Units are forfeited and the applicable loan extinguished. At the discretion of the trustee, the participant may be paid an amount equal to the value by which the vested Units exceed the amount of the loan associated with those Units.

Participants are not permitted to sell, transfer, mortgage, charge or otherwise dispose of, deal with, grant any interest in or encumber their Units or the underlying Shares whilst they remain in Trust, except as permitted by the rules of the Plan and summarised above. In addition, participants may not hedge or otherwise protect the value of their unvested Shares.

Participants may direct the plan administrator to vote in respect of any Shares held in Trust for the participant. Participants are also entitled to any dividends paid in respect of Shares (vested and unvested) held in the Trust on behalf of the participant.

Units may be forfeited if a participant becomes bankrupt.

Atlantic will meet all administration costs for the ELAS and the Trust. The trustee of the Trust funds the loans made to participants. Atlantic does not provide any funds for the purposes of the loan arrangements. As the loan is non-recourse, if the Unit value is below the outstanding loan amount at the time of repayment, Units may be surrendered in full satisfaction of the loan.

Key Terms of the Atlantic Ltd Executive Incentive Share Plan

As noted above, the ELAS is administered pursuant to the rules of the Plan. To ensure the Plan (including the ELAS) continues to meet the Company's needs in respect of incentive and retention, and continues to reflect how the Board wishes the Company's equity incentive and retention arrangements to work, the Board recently adopted amendments to the rules of the Plan.

A general overview of the relevant additional key features of the Plan as amended (noting that the overview of the ELAS above summarises the relevant terms of the ELAS and the grants made under the ELAS) is set out below.

- **Securities offered:** The types of securities that may be offered under the Plan are fully paid ordinary shares and Units to receive fully paid ordinary shares. Shares issued under the Plan rank equally with other fully paid ordinary shares of the Company.
- **Eligibility to participate:** The Board has the discretion to determine which employees are eligible to participate in the Plan. Any person who is employed by the Company, or a subsidiary of the Company, is eligible to participate in the Plan.
- **Special conditions:** The Plan provides that the Board has the power to impose special conditions on the issue of Shares and Units under the Plan (such as performance hurdles or restriction periods, or other Vesting Conditions).
- **Price:** The issue price of Shares and Units will be determined by the Board, and the Board may determine that no amount is to be paid by an eligible employee for shares under the Plan.
- **Loan:** The Plan provides that the Board may, in its absolute discretion, grant a loan to a participant for the purposes of subscribing for Shares under the Plan, and that the trustee of the Trust may grant a loan to a participant for the purposes of applying for Units under the Plan. Loans granted under the Plan will be non-recourse (other than against the Shares to which the loan relates) and interest free, unless otherwise determined by the Board (or the trustee of the Trust) at the time of granting the loan. Subject to the terms and conditions of an offer under the Plan, the loan becomes immediately repayable on the first to occur of (i) cessation of employment; (ii) the participant disposing or dealing with an interest in the Shares; (iii) the participant creating or attempting to create a third party interest in the Shares; or (iv) the participant becoming bankrupt. A participant may repay the loan at any time during the term of the loan.
- **Trustee arrangements:** Where a loan is provided for the purposes of the Plan, the Board may determine that Shares (including Shares underlying Units granted under the Plan) be held by a trustee on trust for the benefit of the participant. In such circumstances, and subject to any special conditions imposed on the offer of the Shares or Units, the trustee may only transfer the Shares to the participant after the loan has been repaid in full. If the participant fails to repay the loan when it becomes due and payable, then subject to any special conditions, the trustee may sell the relevant Shares and apply the net proceeds against the outstanding amount of the loan. Any excess proceeds may be remitted to the participant.

- **Dividend and voting rights:** The participant will be entitled to dividends and to vote at a general meeting of the Company. However, subject to the terms and conditions of an offer of Shares or Units, whilst any loan is outstanding in relation to the Shares or Units, dividends will be applied on the participant's behalf in repayment of the principal amount outstanding under the loan. Voting rights are exercised on the participant's behalf by the trustee voting as the participant has directed.
- **Adjustments:** If there is any reorganisation, including any subdivision, consolidation, return or cancellation of the issued capital of the Company, the number of Plan Shares will be adjusted accordingly.
- **Limits on shares issued:** The number of Shares that may be issued under the Plan is set with regard to the limits prescribed by ASIC with respect to employee share scheme offers made without a prospectus. Currently, these limits provide that the number of Shares that may be issued, when aggregated with the number of Shares issued during the previous five years from Share issues under all employee share schemes established by the Company (including as a result of exercise of options to acquire Shares granted during the previous five years under any such employee share scheme), must not exceed five percent of the total number of Shares on issue, disregarding certain unregulated offers.

Termination Benefits Payable Under the Plan (including the ELAS)

The Act restricts the value of benefits which may be paid to certain employees in the event of cessation of employment. Benefits can only be given to these individuals if Shareholder approval is obtained or an exemption applies.

As described above, under the ELAS, if a participant ceases employment in certain circumstances while holding Units, their unvested Units vest and the participant has three months to withdraw or direct the trustee to sell the Shares underlying those vested Units. That is, in these circumstances, vesting occurs earlier than set out in the terms of offer, and accordingly participants may receive a benefit for the purposes of the termination benefits provisions of the Act on termination of their employment.

The actual value of the termination benefits that may become payable under the Plan (including the ELAS) on termination of a participant's employment cannot be ascertained in advance as various events and circumstances will or are likely to affect the calculation of the value. In particular, the following factors may affect the value of the termination benefits for which approval is sought:

- the circumstances of cessation of employment;
- the participant's base salary at the time of termination;
- the number of Units held by the participant at the time of termination; and
- the market price of the Company's Shares on ASX at the relevant time.

Other Information

Since the 2009 approval of the Plan, 7,844,951 Shares have been issued under and pursuant to the Plan (including through the ELAS offers made in the financial year ended 30 June 2012).

GLOSSARY

Associate has the meaning given to it in sections 11 and 13 to 17 (inclusive) of the Corporations Act.

ASX means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.

Atlantic Group means Atlantic and any Related Body Corporate.

Board means the Board of Directors of the Company.

Closely Related Party has the meaning given in section 1 of this Explanatory Statement.

Company or Atlantic means Atlantic Ltd ABN 60 009 213 763.

Conversion Conditions means the conditions to conversion of the Class A Convertible Bonds or the Class B Convertible Bonds (as applicable) as set out in the relevant Convertible Bond Deed.

Conversion Price means the conversion price of the Class A Convertible Bonds or the Class B Convertible Bonds (as applicable) as set out in the relevant Convertible Bond Deed.

Conversion Price Adjustment means an adjustment to the Conversion Price of the Class A Convertible Bonds or the Class B Convertible Bonds (as applicable) as set out in the relevant Convertible Bond Deed.

Convertible Bond Deed means the Class A Convertible Bond Deed or the Class B Convertible Bond Deed, as applicable (together, the **Convertible Bond Deeds**).

Convertible Bonds means the Class A Convertible Bonds and the Class B Convertible Bonds.

Class A Convertible Bond Deed means the Convertible Bond Deed (Class A Convertible Bonds) entered into between the Company and Droxford dated 2 March 2012 (as amended).

Class A Convertible Bonds means the convertible bonds issued to Droxford under the Class A Convertible Bond Deed.

Class B Convertible Bond Deed means the Convertible Bond Deed (Class B Convertible Bonds) entered into between the Company and Droxford dated 3 August 2012.

Class B Convertible Bonds means the convertible bonds issued to Droxford under the Class B Convertible Bond Deed.

Closely Related Parties of Key Management Personnel has the meaning given to that term in the Corporations Act and includes family members who may be expected to influence the person, or be influenced by the person, in the person's dealings with the Group and a company the person controls.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Droxford means Droxford International Limited.

Equity Securities means in respect of a company, each class of shares in the capital of the company, any note or other financial accommodation that is convertible into shares in the capital of the company or repayable by way of the issue of shares in the capital of the company and any option to be issued over shares in the capital of the company.

Explanatory Statement means this explanatory statement.

Financial Indebtedness means any indebtedness, present or future, actual or contingent, in respect of moneys borrowed or raised in any financial accommodation whatever including, without limitation, under or in respect of any overdraft facility, bill, bond, note, certificate of deposit, transferable or negotiable instrument, acceptance, guarantee, redeemable or repurchasable share or stock, discounting arrangement, finance lease, swap, option, futures contract or analogous transaction, put option, hire purchase, deferred purchase price (for more than 90 days) of any asset or service, or any obligation to deliver goods or provide services paid for in advance by any financier or in connection with any other financing transaction.

FIRB Approval means notice of approval or no objection from the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Group means the consolidated entity (as defined in the Corporations Act) of which the Company is a part.

Governmental Agency means any government or any governmental, semi-governmental or judicial entity or authority. It also includes any corporation or body corporate wholly or majority owned by any government or governmental agency and any self-regulatory organisation established under statute or any stock exchange.

Independent Expert means KPMG Corporate Finance.

Independent Expert Report means the report prepared by the Independent Expert and set out in Annexure A to this Notice.

Key Management Personnel means those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice and includes, for the avoidance of doubt, any meeting arising from the adjournment or postponement of the Meeting.

MVPL means Midwest Vanadium Pty Ltd.

MVPL Indenture means the indenture dated 16 February 2011 between Midwest Vanadium Pty Ltd, Atlantic Vanadium Holdings Pty Ltd and the Bank of New York Mellon for the US\$335,000,000 11½% Senior Secured Notes due 2018.

Notes means the notes on pages 7 and 8 of the Notice.

Notice means the notice of annual general meeting accompanying this Explanatory Statement.

Permitted Acquisition means the acquisition of an asset or entity acquired after the date of the relevant Convertible Bond Deed, provided the asset or entity was not acquired with any funds advanced under the Transaction Documents or received under a Permitted Security Issue and the Company has not breached its undertaking under clause 9.1(k) of the Terms and Conditions of the Convertible Bond Deeds (as set out in paragraph 1(k) of Schedule 2 of this Notice).

Permitted Financial Indebtedness means:

- (a) any Financial Indebtedness granted or arising in connection with the acquisition of an asset or entity acquired after the date of the relevant Convertible Bond Deed, provided the asset or entity was not acquired with any funds advanced under the Transaction Documents or received under a Permitted Security Issue and the Company has not breached its undertaking under clause 9.1(k) of the Terms and Conditions of the Convertible Bond Deeds (as set out in paragraph 1(k) of Schedule 2);

- (b) any Financial Indebtedness incurred or permitted to be incurred under any Transaction Document;
- (c) Financial Indebtedness incurred in the ordinary course of ordinary business under finance or capital lease, operating lease, hire purchase or conditional sale arrangement or any similar arrangement up to a maximum outstanding principal amount at any time of \$5,000,000;
- (d) Financial Indebtedness owing by the Company to one or more members of the Atlantic Group not exceeding \$5,000,000 in aggregate as long as such indebtedness is to be used by that party for working capital purposes or any other purpose to which Droxford has provided its prior written consent;
- (e) any other Financial Indebtedness incurred in the ordinary course of ordinary business not exceeding \$5,000,000 in aggregate for the Atlantic Group as a whole at any time;
- (f) Financial Indebtedness incurred under the US\$335,000,000 11½% Senior Secured Notes due 2018;
- (g) Financial Indebtedness incurred by the issue of the Convertible Bonds; and
- (h) any other Financial Indebtedness approved by Droxford in writing.

PPSA means the *Personal Property Securities Act 2009 (Cth)*.

Permitted Security Interest means:

- (a) any Security Interest granted or arising over an asset or entity acquired after the date of the relevant Convertible Bond Deed, provided the asset or entity was not acquired with any funds advanced under the Transaction Documents or received under a Permitted Security Issue and the Company has not breached its undertaking under clause 9.1(k) of the Terms and Conditions of the Convertible Bond Deeds (as set out in paragraph 1(k) of Schedule 2);
- (b) any Security Interest granted or arising under any finance or capital lease, operating lease, hire purchase or conditional sale arrangement or any similar arrangement which comprises Permitted Financial Indebtedness provided that the property the subject of the security is limited to the assets or equipment the subject of that Permitted Financial Indebtedness;
- (c) every lien created by operation of law (other than the PPSA) securing an obligation that is not yet due;
- (d) every lien or retention of title arrangement securing the unpaid balance of purchase money for property acquired in the ordinary course of ordinary business under an instalment contract on the supplier's standard terms where such unpaid balance is not yet due;
- (e) every lien for the unpaid balance of moneys owing for repairs where such unpaid balance is not yet due;
- (f) every Security Interest arising solely by operation of the PPSA in the proceeds of an asset which is the subject of a lien or retention of title arrangement referred to in item (b) of this definition or any commingled product or mass of which it becomes part, where the obligation secured by that Security Interest is limited to the unpaid balance of the purchase money for the original asset and that unpaid balance is not yet due;
- (g) every Security Interest arising under the US\$335,000,000 11½% Senior Secured Notes due 2018;
- (h) every Security Interest arising as a result of the undertakings of the Company in the Class B Convertible Bond Deed (as summarised in Schedule 2); and

(i) any other Security Interest consented to by Droxford in writing.

Permitted Security Issue means the issue of:

- (a) Shares pursuant to a share purchase plan offered on or before 30 April 2012 to eligible shareholders of the Company, for an amount not exceeding \$10,000,000;
- (b) Shares by way of a private placement offered on 2 July 2012 to Michael Minosora for an amount not exceeding \$10,000,000 at an issue price of \$0.88 per Share;
- (c) Shares by way of a private placement offered to clients of CPS Securities for an amount not exceeding \$1,700,000 on 14 March 2012 at an issue price of \$0.88 per Share;
- (d) Shares pursuant to the Company's employee share plan up to an aggregate maximum of 5% of all issued Shares at any given time; and
- (e) subject to section 7.6.4 of the Convertible Bond Deeds (as set out in paragraph 1.4 of Schedule 1), Shares pursuant to the conversion of the Convertible Bonds.

Principal Amount means the face value of a Convertible Bond (being \$1 million) plus all interest on such issued Convertible Bond where that interest has not been paid by the Company from time to time in accordance with the terms and conditions of the relevant Convertible Bond Deed.

Proxy Form means the proxy appointment form enclosed with the Notice.

Related Body Corporate has the meaning given in section 9 of the Corporations Act.

Remuneration Report means the remuneration report referred to in Resolution 1.

Resolution means a resolution contained in the Notice.

Security means the security to be provided pursuant to clause 1.4 of the Class B Convertible Bond Deed in favour of Droxford, being security provided by MVPL that ranks pari passu in all respects with the security provided to the holders of the US\$335,000,000 11½% Senior Secured Notes due 2018 under the MVPL Indenture (or any alternative ranking security acceptable to Droxford) to secure the repayment of the Principal Amount under the Class B Convertible Bonds for an amount not exceeding A\$30,000,000 and US\$15,000,000 in aggregate, on the basis that the guarantee and security will apply for the benefit of the holder from time to time of each Class B Convertible Bond on a proportionate basis, based on the proportion which the Principal Amount of each Class B Convertible Bond bears to the aggregate of all Principal Amounts outstanding on the Class B Convertible Bonds at the relevant time.

Security Interest means any interest or power:

- (a) reserved in or over an interest in any asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes, but is not limited to, any agreement to grant or create any of the above and includes a security interest within the meaning of section 12(1) of the PPSA.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Subsidiary has the meaning given in the Corporations Act.

Transaction Documents means:

- (a) the Convertible Bond Deeds;
- (b) the Convertible Bonds; and
- (c) each document, agreement or instrument entered into under, pursuant to or for the purposes of anything in items (a) or (b) of this definition.

Windimurra or Project means the Windimurra vanadium project located in Western Australia owned 100% by Midwest Vanadium Pty Ltd, an indirect wholly-owned subsidiary of Atlantic.

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SCHEDULE 1

Summary of the Principal Conversion Price Adjustment Provisions under the Convertible Bond Deeds

1. Upon the happening of any of the events described below, the Conversion Price will be adjusted as follows:

1.1. **Consolidation, subdivision or reclassification:** if and whenever there is a consolidation, reclassification or subdivision in relation to the Shares, the Conversion Price in force immediately prior to that event must be adjusted by multiplying the Conversion Price by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Shares on issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B is the aggregate number of Shares on issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

The adjustment will become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

1.2. **Capitalisation of profits or reserves:** if the Company issues any Shares credited as fully paid to the shareholders of the Company by way of capitalisation of profits or reserves, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{A + B}$$

where

A is the aggregate amount of the issued Shares immediately before such issue; and

B is the aggregate amount of the Shares issued in such capitalisation.

Each adjustment will be deemed to be effective on the date of issue of the Shares or if a record date is fixed from the day immediately following the record date for the issue.

1.3. **Capital distribution:** if the Company makes any capital distribution to the Shareholders, the Conversion Price will be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the VWAP during the period from (and including) the first Dealing Day after the announcement to ASX of a return of capital up to and including the last Dealing Day of trading cum the return of capital (or if there is no period of cum return of capital, an amount reasonably determined by the Company as representing the value of one Share cum the return of capital); and
- B is in respect to a return of capital, the aggregate amount of cash and/or value (as reasonably determined by the Company) of any property attributable to one Share, with such amount being determined by dividing the aggregate capital distribution (cash and/or property) by the number of Shares in issue on the last Dealing Day trading cum the return of capital.

Each adjustment will be deemed to be effective on the date of the capital distribution.

- 1.4. **Issue of Shares on conversion or exchange:** If the Company issues any Equity Securities, other than a Permitted Security Issue, and the Effective Consideration per Share (and any other share of any class in the capital of the Company which is on issue or to be issued) receivable in relation to such Equity Securities is less than the Conversion Price in force, the relevant Conversion Price will be adjusted to equal that lower Effective Consideration per Share. Each adjustment will be effective as at the date on which such issue of Equity Securities takes effect. For the purposes of this paragraph 1.4 only, the issue of the Shares on Conversion of the Convertible Bonds shall not be taken to be a Permitted Security Issue.
- 1.5. **Issue of Shares:** If the Company issues any Shares, other than a Permitted Security Issue, at a price per Share which is less than the Conversion Price in force, the Conversion Price will be adjusted to equal that lower price. Each such adjustment will be effective as at the date on which such issue of Shares takes effect.
- 1.6. **Other events:** If Droxford:
 - (a) disagrees with the amount of any adjustment to the Conversion Price made by the Company as a result of an event or circumstance referred to in this paragraph; or
 - (b) determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this paragraph,

Droxford may give a written notice to the Company setting out in reasonable detail, the adjustment to the Conversion Price taking into account the relevant event or circumstance (**Adjustment Notice**).

The Company and Droxford must use reasonable endeavours to agree the adjustment to the Conversion Price. If the Company and Droxford cannot agree on that adjustment within 10 business days of the date of the Adjustment Notice, the Company must appoint an independent expert to determine the fair and reasonable adjustment to the Conversion Price after taking into account the relevant event or circumstance. Each such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) will take effect in accordance with the independent expert's determination.

Definitions

For the purposes of this Schedule, the following definitions apply, in addition to those definitions set out in the Glossary :

Dealing Day means a day on which the ASX is open for business, other than a day on which the ASX is scheduled to or does close prior to its regular weekday closing time.

Effective Consideration means the aggregate consideration receivable by the Company for the relevant issue of Equity Securities plus the additional minimum consideration (if any) to be received by the Company on (and assuming) the conversion, exchange or exercise of the relevant Equity Securities (without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue) divided by the number of shares comprised in the relevant Equity Securities or into or for which the relevant Equity Securities may be converted, exchanged or exercised. Where the consideration receivable or the number of shares is subject to adjustment for future events such consideration and number of shares is to be determined as if conversion, exchange or exercise occurred at the time of the calculation and on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Effective Consideration is being calculated.

VWAP means in respect of a Share during a particular period, the arithmetic average of the average daily volume-weighted average price of a Share for each Dealing Day during the relevant period published by or derived from Bloomberg page AQR, provided that on any Dealing Day on which such price is not available or cannot otherwise be determined as provided above, the volume weighted average price of the Share is deemed to be the volume weighted average price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined.

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SCHEDULE 2

Summary of Undertakings under the Convertible Bond Deeds

1. Subject to paragraph 2, for so long as the Convertible Bonds remain on issue, except with the written consent of Droxford, the Company undertakes not to and must ensure that none of its Subsidiaries:
 1. issue any Equity Securities other than a Permitted Security Issue, unless Droxford is offered an opportunity to participate in the issue on terms no less favourable to those offered to the relevant third party or parties and, which allow Droxford to maintain its Fully Converted Interest in the Company;
 2. subject to, in relation to the Class B Convertible Bonds only, using its best endeavours to obtain all necessary opinions, approvals and consents to ensure that the Security is provided, create or permit to subsist any Security Interest over all or any part of its assets, other than the Permitted Security Interests;
 3. sell or otherwise dispose of any assets or a series of related assets having an aggregate value of more than \$5,000,000;
 4. pay, make or declare any dividend or other distribution other than by a Subsidiary of the Company to the Company;
 5. purchase its own shares or any other Equity Securities of any company, reduce its share capital, return capital to shareholders or in any other way restructure its capital;
 6. enter into any merger or consolidation or make any acquisition of any other entity, company or business or do anything which would have the effect that the Company or any of its Subsidiaries is operating a business or an activity which is not within the course of, or directly connected with, a business carried on by it as at the date of the relevant Convertible Bond Deed;
 7. incur any Financial Indebtedness, other than the Permitted Financial Indebtedness;
 8. deposit or invest money in or with any person except in the ordinary course of ordinary business and on ordinary commercial terms;
 9. amend or replace its constitution;
 10. take any action which constitutes or results in any material alteration to the nature of its business;
 11. acquire any asset using funds advanced under the Transaction Documents or received under a Permitted Security Issue, other than where the asset is required for the Project;
 12. acquire an asset which is, or upon its acquisition will be, subject to a Security Interest, other than the Permitted Security Interests;
 13. sell, assign, transfer or otherwise dispose of or part with possession of any of its assets (other than the surplus construction accommodation camp units being sold for \$2,510,000) in excess of \$100,000 except an asset which is replaced by one or more assets having similar function and of comparable or superior type, value and quality;

14. allow any other person to have a right or power to receive or claim any rents, profits, receivables, money or moneys worth (whether capital or income) in respect of its assets, other than in the ordinary course of ordinary business;
15. enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts in circumstances where the arrangement is in connection with:
- (i) the raising of Financial Indebtedness; or
 - (ii) the acquisition of an asset,
- except for a netting or set-off arrangements in the ordinary course of its ordinary banking arrangements for the purpose of netting debit and credit balances;
16. enter into any arrangement which, if complied with, would prevent the Company or any of its Subsidiaries from complying with their obligations under the Transaction Documents;
17. provide any financial accommodation to a person other than the Atlantic Group, or give any guarantee in respect of any financial accommodation, to or for the benefit of any person other than in connection with a Permitted Financial Indebtedness;
18. except on terms which are no less favourable to it than arm's length terms:
- (i) enter into an agreement with any person;
 - (ii) acquire or dispose of an asset with any person;
 - (iii) obtain or provide a service with any person;
 - (iv) obtain a right or incur an obligation with any person; or
 - (v) implement any other transaction with any person;
19. pay any director fees, management fees, consultancy fees or other like payments to any director, associate, or related body corporate of the Company or its Subsidiaries unless those fees or other payments are:
- (i) reasonable and are no more or less favourable than it is reasonable to expect would be the case if the relevant persons were dealing with each other at arm's length; or
 - (ii) paid with the prior written consent of Droxford;
20. enter into any partnership or joint venture with any other person; or
21. incorporate a new Subsidiary.
2. Nothing in paragraph 1 prevents the Company or any of its Subsidiaries undertaking a Permitted Acquisition.

Definitions

For the purposes of this Schedule, the following definitions apply, in addition to those definitions set out in the Glossary on:

Fully Converted Interest means Droxford's fully converted percentage holding in the Shares calculated by adding:

- (a) the total number of Shares held by Droxford; and
- (b) the number of Shares Droxford would receive upon conversion of:
- the Principal Amount of the Class A Convertible Bonds in accordance with the Class A Convertible Bond Deed;
 - the Principal Amount of the Class B Convertible Bonds in accordance with the Class B Convertible Bond Deed; and
 - the number of Shares Droxford would receive upon the exercise or conversion of any other Equity Securities held by Droxford,

and dividing by the number of Shares which would be on issue if the Class A Convertible Bonds and the Class B Convertible Bonds and all Equity Securities held by Droxford were exercised or converted into Shares on a fully diluted basis.

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SCHEDULE 3

Summary of Events of Default under the Convertible Bond Deeds

Each of the following is an Event of Default:

1. the Company or any of its Subsidiaries fails to pay within two business days of its due date any amount payable under the Transaction Documents;
2. the Company or any of its Subsidiaries fails to comply with any provision of the Transaction Documents, other than a failure to pay; and:
 - (i) that failure, in the opinion of the Bondholder, is not capable of remedy; or
 - (ii) if, in the opinion of the Bondholder that failure is capable of remedy, it is not remedied within 10 business days after the Bondholder request that it be remedied;
3. an event of default, however defined, occurs under a Transaction Document;
4. any representation, warranty or statement made or repeated in or in connection with the Transaction Documents by the Company or any of its Subsidiaries is untrue or misleading (whether by omission or otherwise) when so made or repeated or becomes untrue or misleading (or, in the case of financial forecasts, unfair or unreasonable) when taken as a whole;
5. an application or order is made for the winding up of the Company or any of its Subsidiaries or for the appointment of a liquidator in respect of the Company or any of its Subsidiaries;
6. the Company or any of its Subsidiaries passes a resolution for its winding up;
7. the Company or any of its Subsidiaries is deregistered, or any steps are taken to deregister the Company or any of its Subsidiaries under the Corporations Act;
8. a judgment in an amount exceeding \$500,000 is obtained against the Company or any of its Subsidiaries and is not set aside or satisfied within 20 business days;
9. a distress, attachment, execution or other process of a Government Agency is issued against, levied or entered upon an asset of the Company or any of its Subsidiaries in an amount exceeding \$500,000 and is not set aside or satisfied within 10 business days;
10. a receiver, controller (within the meaning of section 9 of the Corporations Act) or analogous person is appointed to, or the holder of a Security Interest takes possession of, all or any part of the assets of the Company or any of its Subsidiaries;
11. the Company or any of its Subsidiaries:
 - (i) suspends payment generally, other than in the ordinary course of its ordinary business;
 - (ii) becomes an externally administered body corporate within the meaning of the Corporations Act;
 - (iii) becomes subject to administration under Part 5.3A of Chapter 5 of the Corporations Act, or steps are taken which could reasonably be expected to result in the Company or any of its Subsidiaries becoming so subject; or
 - (iv) is or states that it is, or is deemed by applicable Law to be, unable to pay its debts;

12. a statutory demand is served on the Company or any of its Subsidiaries under section 459E of the Corporations Act or pursuant to section 459F of the Corporations Act and the Company or any of its Subsidiaries is taken to have failed to comply with a statutory demand;
13. the Company or any of its Subsidiaries takes any step for the purpose of entering into a compromise or arrangement with any of its members or creditors, other than in the ordinary course of its ordinary business while the Company is solvent and which does not prejudice the Bondholder's position as a lender under these Terms and Conditions;
14. the Company or any of its Subsidiaries implements a merger, demerger or scheme of arrangement with any person. This clause does not prevent the Company from undertaking a Permitted Acquisition;
15. the Company or any of its Subsidiaries ceases to carry on business;
16. a provision of a Transaction Document is illegal, void, voidable or unenforceable;
17. any person becomes entitled to terminate, rescind or avoid any provision of any Transaction Document;
18. the execution, delivery or performance of a Transaction Document by the Company or any of its Subsidiaries breaches or results in a contravention of any Law;
19. any of the following occurs:
 - (i) any Financial Indebtedness of the Company or any of its Subsidiaries becomes due (other than at the option of the Company or any of its Subsidiaries as the case may be) prior to its stated maturity;
 - (ii) any Financial Indebtedness of the Company or any of its Subsidiaries is not paid when due;
 - (iii) any Security Interest granted by the Company or any of its Subsidiaries is enforced or becomes capable of enforcement by reason of the occurrence of an event of default or analogous occurrence (however described); or
 - (iv) any stock, shares, debenture, bond or similar instrument issued by the Company or any of its Subsidiaries is required or becomes capable of being required to be redeemed or repurchased prior to its stated maturity by reason of the occurrence of an event of default or analogous occurrence (however described);
20. there is a change in Control of the Company or any of its Subsidiaries without the prior written consent of the Bondholders;
21. if any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Bondholder and the Company does not comply with those conditions or those conditions are not fulfilled (whether by the Company, any of its Subsidiaries or any other person) or are or become incapable of fulfilment;
22. a person is appointed under any legislation to investigate or manage any part of the affairs of the Company or any of its Subsidiaries;
23. all or a material part of the assets of the Company or any of its Subsidiaries is compulsorily acquired by any Government Agency or the Company or any of its Subsidiaries sells or divests all or a material part of its assets pursuant to a binding order from a Government Agency and full compensation is not received for the acquisition, sale or divestiture;
24. all or any material provision of any of the Transaction Documents:

- (i) does not have effect or ceases to have effect in accordance with its terms;
 - (ii) is or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally; or
 - (iii) is claimed by the Company, any of its Subsidiaries or any other person to be any of the matters referred to in clause 1.124(i) or 1.124(ii) or the Company or any other person commences any court proceedings to establish any of the matters referred to in clause 1.124(i) or 1.124(ii) to be the case;
25. any event occurs which, in the opinion of the Bondholder, has a Material Adverse Effect;
26. the Company or any of its Subsidiaries ceases for any reason to be able lawfully to carry out all the transactions contemplated in any of the Transaction Documents; or
27. the Company is removed from the official list of the ASX.

Definitions

For the purposes of this Schedule, the following definitions apply, in addition to those definitions set out in the Glossary:

Material Adverse Effect means a material adverse effect on:

- (a) the assets, business, operations, condition (financial or otherwise) or prospects of the Company or any of its Subsidiaries;
- (b) the ability of the Company or any of its Subsidiaries to perform and comply with its obligations under any Transaction Document; or
- (c) the enforceability of a Transaction Document.

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ANNEXURE A

Independent Expert Report

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KPMG Corporate Finance

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The Independent Directors
Atlantic Limited
Level 29, BankWest Tower
108 St Georges Terrace
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22 October 2012

Dear Sirs

PART 1 - INDEPENDENT EXPERT REPORT

Introduction

Atlantic Ltd (Atlantic or the Company) is an Australian public company listed on the Official List of ASX Limited (ASX) with a closing market capitalisation of approximately \$46.4 million¹ as at 19 October 2012.

Atlantic's principal activities comprise of the acquisition and development of mineral resource projects. Atlantic's primary asset is its indirect 100% interest in Midwest Vanadium Pty Ltd, which, in turn, holds a 100% interest in the Windimurra vanadium project (the Windimurra Project). Process commissioning of the Windimurra Project was completed and first ferrovanadium production achieved during the first quarter of 2012. The first commercial shipment of ferrovanadium was completed during the June quarter of 2012.

Atlantic is also investigating:

- the establishment of a market for a haematite fines by-product, a high specific gravity aggregate product and a high titanium magnetite lump product that had previously been classified as waste in the Windimurra Project mine plan
- the potential to develop an integrated mine-rail-port bauxite project in Vietnam.

On 6 March 2012, Atlantic announced the signing of agreements to secure a funding package to raise \$41.7 million comprised of the following:

¹ All amounts denominated in Australian dollars (\$) unless specifically noted otherwise

- the issue of 3-year Convertible Bonds to Atlantic's largest shareholder, Droxford International Limited (Droxford), to raise \$30 million (the Class A Convertible Bonds). At the time, it was intended that the Class A Convertible Bonds would be convertible at \$0.97 per share, representing a 10% premium to Atlantic's 10 day volume weighted average share price (VWAP) prior to the announcement of the funding package
- placement of approximately 1.93 million Atlantic fully paid ordinary shares to clients of CPS Securities at \$0.88 per share, being Atlantic's VWAP for the 10 trading days immediately prior to the announcement, to raise \$1.7 million before expenses (ratified by Atlantic shareholders on 27 April 2012)
- the conditional placement of 11.4 million Atlantic fully paid ordinary shares to Atlantic's Managing Director, Mr Michael Minosora, at an issue price of \$0.88 per share to raise \$10 million (approved by Atlantic shareholders on 27 April 2012).
- a Share Purchase Plan offer to existing shareholders whereby each eligible shareholder would be entitled to apply for up to \$15,000 of new shares (the SPP).

The purpose of the capital raising was to provide further working capital for the Windimurra Project as production increased in line with Atlantic's ramp up schedule and for general corporate purposes. At the time Mr Minosora advised *"The proceeds of this funding package will provide working capital to allow Atlantic to continue ramp-up towards our stated target of 65% of production capacity by the end of the second calendar quarter of this year and ensure completion of the identified modification works to the crushing, milling and beneficiation plant at Windimurra."*

On 22 March 2012, Atlantic announced that due to adverse movements in its share price and rules relating to the pricing of Share Purchase Plans, if Atlantic proceeded with the SPP, the offer price of the SPP would be at a significant discount to the balance of the funding package announced on 6 March 2012. On this basis, Atlantic concluded that the SPP was no longer in the best interests of Atlantic shareholders as a whole.

On 6 August 2012, Atlantic announced it had entered into an agreement with Droxford for the issue of additional Convertible Bonds with a face value of up to \$50 million (Class B Convertible Bonds) to provide further working capital for the ongoing Windimurra ramp-up and general corporate purposes. The Class B Convertible Bonds are convertible at \$0.50 per share (the Conversion Price) and are comprised of the following:

- the issue of 30 Class B Convertible Bonds with a face value of \$1 million each to raise \$30 million (drawn down in August 2012)
- a further 20 Class B Convertible Bonds with a face value of \$1 million each to raise \$20 million. The issue of these additional Class B Convertible Bonds is solely at Droxford's election.

On 2 October 2012, Atlantic announced Droxford had subscribed for a further 10 Class B Convertible Bonds with a face value of \$1 million each to raise \$10 million and that a final subscription for Class B Convertible Bonds in the amount of \$10 million remains available under the facility. Atlantic expects the final \$10 million Class B Convertible Bonds to be issued on or around the date of this report.

In addition, subject to the satisfaction of certain conditions, including Atlantic shareholder approval, it is intended that Atlantic's subsidiary Midwest Vanadium Pty Ltd (MVPL) will provide security in favour of

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Droxford in respect of the Class B Convertible Bonds. This security is expected to rank pari passu in all respects with the security already provided to the holders of the US\$335 million 11.5% senior secured notes (the Senior Secured Notes) due 2018 under the indenture dated 16 February 2011 between MVPL, Atlantic Vanadium Holdings Pty Ltd and the Bank of New York Mellon for an amount not exceeding \$30 million and US\$15 million in aggregate (the Granting of Security). Other than the maximum level of indebtedness to be secured, the final terms of any such security are yet to be finalised and will require the approval of the holders of the Senior Secured Notes, which is yet to be received.

As a result of the Class B Convertible Bond facility, the Conversion Price of the existing Class A Convertible Bonds was also reset to \$0.50 per share.

Whilst Atlantic has already received \$30 million in respect of the Class A Convertible Bonds and \$40 million in respect of the Class B Convertible Bonds (with a further \$10 million potentially to be received), the potential future conversion of the Class A Convertible Bonds and the Class B Convertible Bonds (collectively the Convertible Bonds) by Droxford to ordinary fully paid shares in Atlantic (the Future Conversion) and the Granting of Security require the approval of Atlantic shareholders not associated with Droxford (the non-associated shareholders). The Future Conversion also requires the approval of the Foreign Investment Review Board (FIRB).

Droxford currently holds approximately 17.4% of Atlantic's issued capital. In the event the future conversion of the Convertible Bonds is approved and Droxford elects to exercise this entitlement, Droxford would, all other things being equal, hold up to 69.9%² of Atlantic's issued capital.

The Independent Directors of Atlantic have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an Independent Expert Report (IER) to the non-associated shareholders in relation to the Future Conversion and the Granting of Security. We are not required to form an opinion as to the terms of the Convertible Bonds agreed to between the parties or their issue. Our opinion is limited solely to the potential future conversion and proposed security aspects of the transaction.

We note that, as set out in the Notice of Meeting:

- Resolution 3 and Resolution 4 seeks Atlantic shareholder approval of the Future Conversion and are inter-conditional, that is, it is not open to non-associated shareholders to approve the conversion of the Class A Convertible Bonds but not the Class B Convertible Bonds and vice versa
- Resolution 5 seeks Atlantic shareholder approval for the Granting of Security, which is not inter-conditional with Resolution 3 and Resolution 4, that is, it is possible for non-associated shareholders to approve the Future Conversion but not the Granting of Security. We would highlight however that, as set out later in our report, certain adverse financial implications for the Company do attach to such an outcome.

² Assumes the maximum level of capitalisation of interest under the Convertible Bonds and an issue price of \$0.50 per share, which is discussed further in Section 2 of this report and in the Explanatory Statement to which this report is attached. The Conversion Price may, at the time of conversion, be less than \$0.50 per share if an event occurs which results in a Conversion Price Adjustment. Because it is not possible to predict what events may occur in future and the nature and extent of any Conversion Price Adjustment which may result, it is not possible to state a maximum number of shares which may be issued to Droxford or the maximum voting power which Droxford would obtain

2 Overview of the Convertible Bonds

The key terms of the Class A Convertible Bonds and Class B Convertible Bonds at the date of this report are summarised below and set out in more detail in the Explanatory Statement to which this report is attached.

Table 1: Key terms of the Convertible Bonds

Term	Description
Maturity	6 March 2015
Conversion	Bonds may be converted into Atlantic fully paid ordinary shares at a Conversion Price of \$0.50 per share at Droxford's election at any time prior to maturity, subject to certain conversion conditions
Conversion Price Adjustment	An adjustment may be made to the Conversion Price of the Convertible Bonds upon the occurrence of certain specified circumstances, including if Atlantic issues equity at a lower price during the term of the bonds and/or other capital management activities
Interest rate	<p><i>Class A Convertible Bonds</i> - 17.5% per annum payable semi-annually in arrears. For the first three interest periods, 50% of any interest accrued will be capitalised and added to the principal amount at that time, and the remaining 50% interest will be paid in cash or also capitalised (at Droxford's election). Thereafter interest will be paid in cash.</p> <p><i>Class B Convertible Bonds</i> - 17.5% per annum payable semi-annually in arrears. Interest payments can be paid in cash or capitalised (at Droxford's election). In the event MVPL does not grant security in favour of Droxford by 10 September 2012 the coupon on the Class B Convertible Bonds increases to 22.5% per annum for that period that security is not provided. As at the date of this report, the holders of the Senior Secured Notes yet to agree to grant security in favour of Droxford and, accordingly, the interest rate on the Class B Convertible Bonds has increased to 22.5% per annum effective from 10 September 2012. To the extent that interest is capitalised, this will result in the final principal amount for repayment increasing over and above the initial issue amount and, in the event of conversion, an increase in the number of ordinary shares issued.</p>
No approval of conversion	Failure to obtain Foreign Investment Review Board approval or Atlantic's non-associated shareholders approval of the conversion of the Convertible Bonds by 30 November 2012 will result in redemption of the Convertible Bonds 6 months following the shareholder meeting at full principal value plus a redemption fee of 35% of the principal value
Financial Indebtedness	Atlantic undertakes not to incur any further financial indebtedness without the consent of Droxford, other than certain permitted financial indebtedness which includes financial indebtedness in the ordinary course of business up to an aggregate limit of \$5 million
Negative pledge	Atlantic undertakes not to incur or allow to subsist any security interest (other than certain permitted security interests) or allow any of its current subsidiaries, including Atlantic Vanadium Holdings Pty Ltd or MVPL, to incur or allow to subsist any security interest (other than certain permitted security interests) without offering an equal or more favourable security interest to Droxford

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Term	Description
Restriction on conversion	Droxford cannot acquire any Atlantic shares on conversion of the Convertible Bonds if to do so would result in there being a change of Control under the Senior Secured Notes or Droxford holding more than 49.9% of the Company's shares unless Atlantic has obtained written consent, indenture amendment or waiver under the Senior Secured Notes confirming that the conversion of those Convertible Bonds can occur without repayment of the Senior Secured Notes

Source: Atlantic ASX announcement dated 6 August 2012 and the Explanatory Statement

The terms of the Convertible Bonds are discussed in further detail in the Explanatory Statement to which this report is attached. We recommend the shareholders read the Explanatory Statement in its entirety in conjunction with this report.

3 Scope of Report

This report has been prepared for inclusion in the Explanatory Statement to accompany the Notice of Meeting to Atlantic shareholders. The purpose of the meeting will be to seek approval of the non-associated shareholders in relation to each of the Future Conversion and the Granting of Security.

The sole purpose of this report is an expression of KPMG Corporate Finance's opinion as to whether:

- the Future Conversion is fair and reasonable to Atlantic's non-associated shareholders
- the Granting of Security is fair and reasonable to Atlantic's non-associated shareholders

3.1 Technical requirements

3.1.1 The Future Conversion

Section 606 of the Corporations Act (the Act) expressly prohibits a party obtaining more than 20% of the voting power of an Australian company (with more than 15 shareholders) unless a full takeover offer is made. An exemption to this rule is contained in Section 611 of the Act, which allows the target company shareholders the opportunity to vote in general meeting to forgo their right to a full takeover. In approving the proposed acquisition, no votes may be cast by the potential acquirer or their associates or by the persons from whom the acquisition is to be made or their associates.

Any future conversion of the Convertible Bonds by Droxford will, all other things being equal, result in Droxford holding more than 20% of the voting power of Atlantic. Accordingly, Atlantic is now seeking the approval of the non-associated shareholders for the Future Conversion.

Regulatory Guide 74 issued by the Australian Securities and Investment Commission (ASIC) requires that in these circumstances, shareholders be supplied with sufficient information to enable them to assess the merits of the proposal. In such circumstances, the Directors of Atlantic are required to provide shareholders with a detailed analysis as to whether the Future Conversion is fair and reasonable in the context of Atlantic's non-associated shareholders.

The Directors may undertake such an analysis or, as is more commonly the case, the Directors may engage an independent expert to report on the proposal.

The term 'fair and reasonable' has no legal definition. Regulatory Guide 74 provides that any analysis should comply with the requirements of Regulatory Guide 111, which in turn, provides that the term 'fair and reasonable' is not regarded as a compound phrase.

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Under this convention an offer is fair when the value of the consideration is equal to or greater than the value of the securities subject to the offer.

An offer is considered 'reasonable' if it is fair. It might also be 'reasonable' if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

In assessing the merits of the Future Conversion, we have considered in particular the following issues:

- the Conversion Price of the Convertible Bonds compared to the trading price of an Atlantic share at various points in the period prior to the date of this report
- the likelihood of an alternative funding offer emerging in the short term
- the alternatives sources of funding investigated by the Directors prior to entering into the capital raising
- the consequences of not approving the Future Conversion
- other advantages and disadvantages which may impact non-associated shareholders if the Future Conversion is approved

3.1.2 The Granting of Security

Under ASX Listing Rule 10.1, where a publicly listed company proposes to acquire a "substantial asset" from a related party or "substantial holder", the company must obtain the prior approval of its non-associated shareholders.

ASX Listing Rule 10.1 describes a "substantial asset" as an asset that has a value, in the ASX's opinion, of 5.0% or more of the shareholders' funds in the entity as set out in the latest accounts of the company.

For the purposes of ASX Listing Rule 10.1, a "substantial holder" is a party that has a relevant interest, or had a relevant interest at anytime in the six months before the transaction, in at least 10% of the total votes attached to voting securities of the company.

We understand that ASX has determined that the approval of the non-associated shareholders is required pursuant to Listing Rule 10.1 in respect of the Granting of Security on the basis that the Granting of Security represents a deemed disposal of the Company's assets to Droxford, a substantial shareholder.

Under ASX Listing Rule 10.10.2 the Notice of Meeting convening the special meeting of shareholders for the purpose of approving transactions pursuant to Listing Rule 10.1 must be accompanied by a report from an independent qualified person setting out whether in that person's opinion the proposed transaction is fair and reasonable to the non-associated shareholders.

In assessing the merits of the Granting of Security, we have considered in particular the following issues:

- advantages and disadvantages that may impact non-associated shareholders if the Granting of Security is approved
- the consequences of not approving the Granting of Security.

4

Opinions

4.1

The Future Conversion

In our opinion the Future Conversion is fair and reasonable to Atlantic's non-associated shareholders.

The value of the Windimurra Project can reasonably be expected to change as it moves through its development cycle. Given the Convertible Bonds are eligible to be converted, subject to amongst other things non-associated shareholder approval, at the election of Droxford at any point in time prior to March 2015, the future fair market value of an Atlantic share at the date (or multiple dates should the Convertible Bonds be converted in separate tranches) of conversion is unable to be determined at this time. Accordingly, it is not possible at this time to assess the level of control premium, if any, that may be paid by Droxford at the time of any future conversion(s). In forming our opinion we have therefore had primary regard to the likely advantages and disadvantages to non-associated shareholders of approving the Future Conversion.

Atlantic is currently in a vulnerable financial position and is currently experiencing net cash outflows in meeting ongoing operating costs and servicing the Senior Secured Notes, whilst also experiencing delays in reaching full production at the Windimurra Project. Recognising the Company's position, Atlantic commenced a number of months ago a review of its funding options.

An initial capital raising was completed in January 2012 and extensive discussions with a number of advisors and potential funding providers, including Atlantic's existing shareholders and debt providers, were pursued. Following detailed investigation and discussions the Company announced the terms of the original Class A Convertible Bonds agreements, along with the placements to Mr Minosora and clients of CPS Securities, on 6 March 2012. Having determined these funding arrangements represented the best option available to Atlantic to meet the quantum and timing of its financial needs, Atlantic issued the \$30 million of Class A Convertible Bonds during March 2012.

Notwithstanding receipt of the funds raised from the issue of the Class A Convertible Bonds and placement to clients of CPS Securities, Atlantic's net cash position continued to fall from \$57.5 million as at 31 December 2011 to \$24.1 million as at 30 June 2012. Furthermore, of the 30 June 2012 balance, approximately \$23.8 million was restricted under the terms of the Company's existing Senior Secured Notes. A further \$10 million of share placement proceeds was received on 2 July 2012.

On 6 August 2012, Atlantic announced the Class B Convertible Bonds agreement to raise a further \$50 million. As at the date of this report \$40 million of the Class B Convertible Bonds had been subscribed for with an additional \$10 million available at Droxford's election. Atlantic expects to issue the final \$10 million of Class B Convertible Bonds on or around the date of this report.

Management has advised that Atlantic will continue to record net cash outflows in the short to medium term, before improving thereafter. Therefore Atlantic remains highly exposed to Droxford agreeing to subscribe for the additional \$10 million of Class B Convertible Bonds contemplated under the agreement and may also need to source additional funding.

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In the event that Atlantic's non-associated shareholders do not approve the Future Conversion at a shareholders' meeting by 30 November 2012 the Convertible Bonds are required to be redeemed and Atlantic will be required to within 6 months of the shareholders' meeting³ pay to Droxford:

- the principal value of the Convertible Bonds already issued (currently approximately \$70 million but potentially increasing to \$80 million)
- a fee of 35% of the principal value of the Convertible Bonds (currently approximately \$24.5 million)
- any unpaid interest incurred on the Convertible Bonds during the intervening period

Based on the outcome of the Company's previous discussions with potential alternative financiers, the Directors consider, and we concur that, the Company's ability to raise the level of additional capital that would be required to repay the Convertible Bonds and the 35% fee in the short term whilst also funding the ongoing operational requirements of the Company, on terms more favourable than the Convertible Bonds, to be unlikely.

In these circumstances there is a real prospect that the Company would need to consider some form of insolvency administration which would likely result in a reduction of shareholder value given the substantial level of project debt held by the Company.

In our view, whilst the prospect that superior alternative source of funding to repay the Convertible Bonds cannot be completely discounted, having regard to the current status of the Windimurra Project it is uncertain and pursuit of this course of action involves a significant level of financial and operational risk at a time when Atlantic remains highly leveraged and focussed on increasing production at the Windimurra Project.

As such, in assessing the merits of the Future Conversion, key matters for shareholders to consider include both issues of value and risk, including:

- does the Conversion Price represent fair value
- in the event the Future Conversion is not approved, what are the alternatives available to the Company

4.1.2 **Assessment of the Future Conversion**

In assessing whether the non-associated shareholders are likely to be better off if the Future Conversion proceeds than if it does not, we have considered various advantages and disadvantages that are likely to accrue to the non-associated shareholder as set out below.

Advantages

The Conversion Price is at a premium over recent trading prices for Atlantic shares

Whilst it is not possible to assess the level of control premium or discount, if any, that may be paid by Droxford at the time of any future conversion(s), we have considered a comparison of the \$0.50

³ Unless a subsequent shareholders' meeting has been held and approval of the Future Conversion by non-associated shareholders has been received at that time

Conversion Price⁴ to trading prices for Atlantic shares prior to the 6 August 2012 announcement of the resetting of the Class A Convertible Bonds Conversion Price and the terms of the Class B Convertible Bonds, and also against the trading prices for Atlantic shares in the subsequent period.

The Conversion Price of \$0.50 for each new Atlantic ordinary share to be issued on any future conversion represents a premium of between 12.2% and 24.4% to the VWAP for an Atlantic share measured at various points in the 3 months prior to the Company entering into a trading halt ahead of the announcement of the current proposed transaction, albeit on thin volumes, as set out in the table below.

Table 2: Trading prices of Atlantic’s shares on ASX pre announcement

Period up to and including 3 August 2012	VWAP \$	Conversion Price \$	Premium %
1 day	0.40	0.50	24.4
1 week	0.41	0.50	21.2
1 month	0.45	0.50	12.2
3 months	0.44	0.50	12.8

Source: Capital IQ and KPMG analysis

The Conversion Price of \$0.50 per share for each new Atlantic share represents a premium of 58.5% to the VWAP of an Atlantic share over the period since the announcement of the proposed transaction to 16 October 2012, as set out in the table below.

Table 3: Trading prices of Atlantic’s shares on ASX post announcement

Period from 6 August 2012 to 16 October 2012 (inclusive)	VWAP \$	Conversion Price \$	Premium %
72 days	0.32	0.50	58.5

Source: Capital IQ and KPMG analysis

The Conversion Price represents a premium of 66.7% to the closing price of an Atlantic share of \$0.30 on 19 October 2012.

In order to identify a reasonable range for implied premia/discounts to trading prices for placements in Australia, we have analysed transaction data for placements greater than \$5.0 million included in the “Metals and Mining” classification of the Global Industry Classification Standard over the period since 1 August 2011. A data set of 148 placements was sourced from Connect 4. Our analysis indicates the level of premium/discount to the pre-announcement share price of the relevant company ranged between a discount of 85% and a premium of 89%, with the mean and median being a discount of approximately 8% and 7% respectively.

We also note that only approximately 28% of those placements reviewed were completed at a premium to the pre-announcement share price.

The premium implied by the Conversion Price of \$0.50 per share over Atlantic’s pre-announcement share price lies well above the mean and median of observed recent placement premia.

⁴ As noted previously, the Conversion Price may be adjusted downwards in the event of certain future events taking place.

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This level of implied premium increases further when benchmarked against recent post announcement trading prices for Atlantic shares.

The current price of an Atlantic share may differ from the price at which the Company's shares are trading at the date in the future when non-associated shareholders meet to consider the Future Conversion. General market sentiment and conditions and reaction to future Company announcements could all impact upon Atlantic's share price. Accordingly, non-associated shareholders will need to consider, inter alia, movements in the Atlantic share price subsequent to the date of this report in deciding whether to approve the Future Conversion.

We would also highlight that there is the potential for the Conversion Price to be reduced should certain trigger events occur in the period prior to any future conversion. As noted above, given the potential for a shortfall in the Company's cash position in the short term, it may be that the Company is required to revisit the market. In the event that any future capital raising was to be completed at a price below the Conversion Price, this would trigger a reduction in the Conversion Price and increase the number of shares to be issued to Droxford on conversion. We note that Resolution 3 and Resolution 4 provide shareholder approval for additional shares to be issued to Droxford as a result of a reduction in the Conversion Price, provided that the voting power of Droxford and its associated parties following the acquisition of such additional shares does not exceed 90%.

The Future Conversion will improve Atlantic's net asset position

The Future Conversion will improve Atlantic's net asset position by approximately \$82.4 million, reflecting extinguishment of the liability component of the Convertible Bonds currently recorded on the balance sheet of Atlantic for accounting purposes. Whilst the Company's net assets position will improve significantly, Atlantic's net tangible asset position as at 30 June 2012 per share of \$0.56 per share will decrease to \$0.54 per share, reflecting that the proposed issue price lies below the current net tangible asset backing per share recorded in the books of Atlantic.

We note that the values recorded in the books of Atlantic have been prepared on a "going concern" basis. In the event Atlantic was required to enter into any form of external administration we would expect the asset values recovered by Atlantic would require adjustment to reflect the Company's distressed nature.

In this regard we note that, Ernst & Young, the statutory auditors of Atlantic, did not express an opinion on the financial report set out in the 2012 Annual Report, stating that:

- Atlantic's ability to continue to meet its debts as and when they fall due is reliant on ongoing funding, management of the Company's working capital and achieving the scheduled ramp up of production at the Windimurra Project over the coming months
- it had been unable to obtain sufficient appropriate audit evidence as to whether Atlantic can achieve these matters, and thus determine whether it is appropriate to prepare the financial statements on a going concern basis
- because of the significance of these matters, it had not been able at the date of its report to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Approval of the Future Conversion will prevent early redemption of the Convertible Bonds and the 35% redemption fee

In the event that Atlantic's non-associated shareholders do not approve the Future Conversion the Convertible Bonds will be required to be redeemed and Atlantic will be required to pay the following to Droxford:

- the principal value of the Convertible Bonds (currently approximately \$70 million but potentially increasing to \$80 million)
- a fee of 35% of the principal value of the Convertible Bonds (currently approximately \$24.5 million)
- any unpaid interest incurred on the Convertible Bonds during the intervening period

Any requirement to repay the funds already received in respect of the Convertible Bonds will result in a deterioration in Atlantic's current asset position. Furthermore, in the event the Company is unable to raise alternative funding to repay the Convertible Bonds and the 35% fee and also fund its operational requirements during its current ramp up phase, Atlantic may have to dispose of assets other than in the normal course of business.

With an increased equity position Droxford will be further incentivised to work towards the future success of Atlantic

The conversion of the Convertible Bonds will increase Droxford's overall interest in Atlantic from approximately 17.4% up to 69.9% which, all other things being equal, we would expect would further incentivise Droxford to work towards the future success of Atlantic.

Disadvantages

The Future Conversion will result in a reduction of the existing shareholders' interests in Atlantic and Droxford's interest will increase to above 50%

Following the conversion of the Convertible Bonds, the non-associated shareholders' ownership interest in Atlantic will be diluted from approximately 82.6% to as little as 30.1%⁵ and Droxford will hold over 50% of Atlantic's voting rights, all other things being equal. As such, the interest of current non-associated shareholders in the Company's existing development and exploration assets will be diluted and Droxford will likely be able, should it wish, to exert greater control over the Board of the Company and the future activities of Atlantic. However, we note that non-associated shareholders will also receive a similar pro rata interest in the reduction in liabilities as a result of the conversion. We also note that Droxford has indicated to the Company that it does not at this time intend to make any changes to the business of Atlantic nor nominate any further representatives to the Board of Atlantic. Further details in relation to Droxford's stated intentions are set out in the Explanatory Statement.

We note that whilst it is not possible at this time to determine the actual premium or discount to be paid by Droxford at the date of any future conversion(s) of the Convertible Bonds, non-associated shareholders should be aware that it is possible that Droxford may acquire majority control of Atlantic without payment of a full premium for control.

⁵ Assuming an issue price of \$0.50 and full capitalisation of interest

Furthermore, under the terms of the Convertible Bonds Deed there are a number of events that trigger an adjustment to the Conversion Price, including where Atlantic issues further equity at a price lower than the Conversion Price during the term of the Convertible Bonds, which would result in the Conversion Price being adjusted to equal that lower price.

Whilst we are unable to determine the quantum of any further Conversion Price Adjustments that may occur in the future, if at all, we note that any reduction in the Conversion Price would result in non-associated shareholders being further diluted. Non-associated shareholders should be aware that approval of Resolution 3 and Resolution 4 in relation to the Future Conversion includes approval of any additional shares to be issued to Droxford as a result of the Conversion Price Adjustment being triggered, provided that the voting power of Droxford and its associated following the acquisition of such additional shares does not exceed 90%.

We would highlight to shareholders that having regard to the Company's current cash position it is possible, depending upon the future capital expenditure requirements and operating performance of the Windimurra Project, that Atlantic may be required to seek further funding in the market although funds raised under the Convertible Bonds are expected to mitigate the need for any future capital raisings.

Other considerations

The Future Conversion is unlikely to materially impact the likelihood of a takeover offer being received

We note that Droxford already holds a 17.4% interest in the Company and therefore any offer to acquire the Company most likely would require Droxford's acceptance in order to succeed. Notwithstanding the level of Droxford's existing shareholding, given the size of the potential increase in its interest in Atlantic, any future conversion may impact further upon the likelihood of the Company receiving a takeover offer.

In the event that the Future Conversion is not approved, we consider it reasonable, all other things being equal, to expect that Atlantic's share price would be adversely impacted

Atlantic is currently in a vulnerable financial position having net cash outflows servicing the Senior Secured Notes and ongoing operating costs whilst experiencing delays in reaching full production at the Windimurra Project.

Reflecting the additional financial stress on Atlantic that would likely result in the event of having to repay in the short term the funds already received plus the 35% redemption fee, we consider it reasonable to expect an increased level of uncertainty in the market place as to the future prospects of the Company, which, in turn, may translate to a fall in Atlantic's share price.

Directors' intentions

The Independent Directors have advised that they each intend to recommend that the non-associated shareholders vote in favour of the Future Conversion and that they each intend to vote the Atlantic shares they each hold personally or which are held on their behalf in favour of the Future Conversion, representing approximately 14.6% of the votes entitled to vote in relation to the Future Conversion.

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Approval of the Future Conversion does not guarantee the future conversion of the Convertible Bonds

Even if approved by shareholders, the Future Conversion of the Convertible Bonds by Droxford is by no means certain as this remains at the election of Droxford and is also subject to the approval of FIRB. In the event Droxford elects not to convert the Convertible Bonds or FIRB approval is not received, Atlantic will be required to repay the principal amount drawn down plus any capitalised interest in March 2015.

Furthermore, the terms of the convertible bonds restrict Droxford from acquiring Atlantic shares on conversion of the Convertible Bonds if to do so would result in there being a change of Control under the Senior Secured Notes or Droxford holding more than 49.9% of the Company's shares unless Atlantic has obtained written consent, indenture amendment or waiver under the Senior Secured Notes confirming the conversion of those Convertible Bonds can occur without repayment of any of the Senior Secured Notes.

The Convertible Bonds are transferrable

Subject to the terms of an ASX waiver of Listing Rule 16.8, both the Class A Convertible Bonds and the Class B Convertible Bonds are freely transferrable by Droxford and any subsequent bondholder. Accordingly, it is not possible to identify with absolute certainty the final identity of the party to which the shares would be issued on conversion. However, we note that non-associated shareholders will continue to be protected by the operation of Section 606 of the Corporations Act.

4.2 The Granting of Security

In our opinion the Granting of Security is fair and reasonable to Atlantic's non-associated shareholders.

In forming our opinion regarding the Granting of Security we have considered the advantages and disadvantages which may impact non-associated shareholders if the Granting of Security proceeds as well as the potential consequences for non-associated shareholders if the Granting of Security is not approved. In essence, we would consider the Granting of Security to be fair and reasonable if the potential advantages to the non-associated shareholders outweigh the potential disadvantages to the non-associated shareholders.

4.2.1 Assessment of the Granting of Security

Advantages

The Granting of Security will result in a reduced coupon rate on the Class B Convertible Bonds

Whilst the provision of funds to Atlantic in respect of the Class B Convertible Bonds and the period for repayment are not impacted by the outcome of whether security is granted or not, in the event non-associated shareholders do not approve the Granting of Security, Atlantic will be unable to fulfil the conditions for MVPL to provide the security in favour of Droxford. Until such time as the security is provided the coupon rate for the Class B Convertible Bonds will remain at 22.5% per annum. Assuming \$50 million of Class B Convertible Bonds are drawn down this would result in additional interest costs for Atlantic at a rate of approximately \$2.5 million per annum.

We would highlight however that at present the final terms of any security are yet to be agreed between the parties other than in respect to the maximum amount of any security being limited to \$30 million and

US\$15 million in aggregate. Accordingly, notwithstanding shareholder approval for the Granting of Security will facilitate security arrangements being put in place, there is no guarantee that the requirements of all stakeholders will be able to be satisfied, in which case the increased coupon rate may apply in any event.

Disadvantages

The Granting of Security may impact Atlantic's ability to raise additional debt funding from alternative sources, albeit we consider this to be unlikely

The Granting of Security may further limit the ability of MVPL to grant further security to other lenders which may impact Atlantic's ability to secure additional asset based debt funding. However, given the existence of the \$335 million of Senior Secured Notes due to parties other than Droxford and the \$70 million currently due in respect of the Convertible Bonds, we consider Atlantic's ability to raise additional debt funding from other third parties to already be limited and that the Granting of Security is unlikely to have a material effect on the Company's attractiveness to potential lenders.

Other considerations

The cover provided by the proposed security does not appear excessive

We note that the level of cover to be provided by the security is limited to \$30 million and US\$15 million in aggregate, which compares to the \$40 million in Class B Convertible Bonds already subscribed for (which could increase to in excess of \$50 million should Droxford elect to subscribe for the maximum amount contemplated and also to capitalise interest payments due).

The Granting of Security would be unlikely to impact the return to the shareholders in the event that Atlantic was wound-up

Whether or not the Granting of Security is approved, the Convertible Bonds will continue to rank ahead of Atlantic's ordinary shares in the event that Atlantic was wound-up and, as such, we would not expect the return to Atlantic shareholders in such a scenario, all other things being equal, would be materially impacted by the Granting of Security.

Directors' intentions

The Independent Directors have advised that they each intend to recommend that the non-associated shareholders vote in favour of the Granting of Security and that they each intend to vote the Atlantic shares they each hold personally or which are held on their behalf in favour of the Granting of Security, representing approximately 14.6% of the votes entitled to vote in relation to the Granting of Security.

4.3

Other matters

In forming our opinion, we have considered the interests of Atlantic non-associated shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical or possible to assess the implications of the Future Conversion or the Granting of Security on individual shareholders as their financial circumstances are not known.

The decision of non-associated shareholders as to whether or not to approve the Future Conversion and the Granting of Security is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an

individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our opinion is based solely on prevailing market, economic and other conditions and information available as at the date of this report as set out in Appendix 2. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information set out in section 5 and the disclosures and disclaimers set out in Appendix 1 of our report. In particular, it is not the role of the Independent Expert to undertake the commercial and legal due diligence that an interested party and its advisers may undertake. KPMG provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

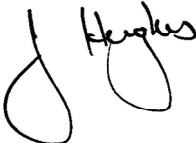
Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Atlantic's non-associated shareholders in considering the Future Conversion and the Granting of Security. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the meeting document/s to be sent to Atlantic non-associated shareholders in relation to the Future Conversion and the Granting of Security, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

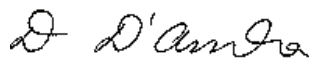
KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Statement attached to the Notice of Meeting in relation to the meeting of shareholders to held on or around 29 November 2012.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Jason Hughes
Authorised Representative



Diana D'Ambra
Authorised Representative

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5 **Limitations and reliance on information**

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. Nothing in this report should be taken to imply that KPMG Corporate Finance has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of Atlantic for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. We have held discussions with Atlantic's management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical, however, such information is often not capable of external verification or validation.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of Atlantic. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Atlantic remains responsible for all aspects of this forward-looking financial information. Achievement of projected results is not warranted or guaranteed by KPMG Corporate Finance. Forward-looking financial information is by its nature uncertain and is dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the forward looking financial information relied on by KPMG Corporate Finance. Any variations from forward looking financial information may affect our opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

5.1 **Disclosure of information**

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Due to commercial sensitivity we have limited the level of disclosure in relation to certain key business arrangements however, we have disclosed a summary of material information which we relied on in forming our opinion.

6 **Industry overview**

Atlantic's principal asset comprises of its 100% interest in the Windimurra vanadium project. Accordingly, the financial performance and prospects of Atlantic are, at least for the medium term, likely to be significantly impacted by developments in the international vanadium industry.

In order to provide a context for assessing Atlantic's operations, we have included at Appendix 3 an overview of recent trends in the global vanadium market.

7 Profile of Atlantic

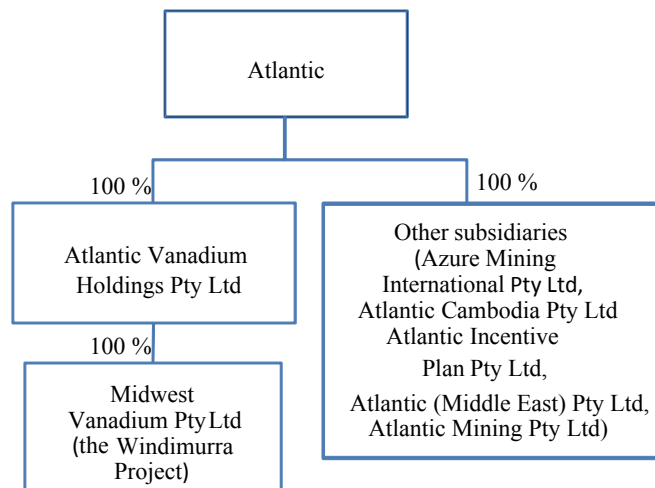
7.1 Company overview

Atlantic is an Australian public company listed on the Official List of ASX. At the close of trade on 19 October 2012, the Company had a market capitalisation of approximately \$46.4 million.

Atlantic’s primary asset is its indirect 100% interest in the Windimurra Project. The Windimurra Project is a world scale vanadium project that recently commenced production and is expected to reach full capacity of 6,300 tonnes per annum of contained vanadium in the first quarter of calendar year 2013. The Company is also pursuing iron ore opportunities associated with the Windimurra Project and also bauxite development opportunities in Vietnam.

Atlantic’s ownership interest in the Windimurra Project is set out diagrammatically below.

Figure 1: Atlantic Corporate Structure



Source : Atlantic’s management

7.2 Profile of the Windimurra Project

The Windimurra Project is located approximately 600 kilometres north of Perth and 80 kilometres by road from Mount Magnet in Western Australia. The Windimurra deposit lies within the eastern flank of the Windimurra intruded layered gabbro complex, which is part of the regional Murchison granite-greenstone province.

The Windimurra plant achieved first ferrovanadium production in early January 2012 and Atlantic has since been focused on the achievement of consistent ferrovanadium production. The plant’s crushing milling and beneficiation (CMB) circuit achieved daily production rates of magnetite concentrate in the second half of March 2012 in line with March 2012 production schedule targets.

Design issues requiring modification work were identified in the milling and beneficiation components of the CMB circuit. Construction work commenced in March 2012 and was completed in the third quarter of calendar year 2012 and within the Company’s budget of \$14 million. The modification work allows clay material to be separated from the ore feed following the crushing stage, improving ore flow through the milling circuit and allowing an increase in throughput of the high pressure grinding roll mill above design capacity.

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Vanadium from the magnetite concentrate is now being processed through the vanadium refinery and Atlantic announced the first 7 tonne shipment of ferrovanadium in May 2012.

Once fully operational, the Windimurra Project is forecast to produce 6,300 tonnes of contained vanadium per annum.

In addition, Atlantic is also investigating opportunities to commercialise haematite iron ore fines currently produced as a by-product, as well as the development of a high specific gravity aggregate product and a high titanium magnetite lump product. The Windimurra Project is forecast to produce in excess of 1 million tonnes of iron fines and high titanium ore by and co-products per annum.

The latest reported total Windimurra Project mineral resources and reserves estimates are set out in the tables below.

Table 4: Windimurra mineral resources as at 1 March 2012

	Tonnes (Mt)	V ₂ O ₅ (%)	Contained Vanadium Tonnes	Grade (V%)
Mineral resources				
Measured	49.7	0.48	132,500	0.27
Indicated	142.1	0.49	390,100	0.27
Inferred	50.8	0.46	130,000	0.25
Total resources	242.6	0.48	652,000	0.27
<i>Note 1: Grades reported to a lower cut-off 0.27 % vanadium pentoxide</i>				

Source : Atlantic's 30 June 2012 quarterly report

Table 5: Windimurra mineral reserves as at 1 March 2012

	Tonnes (Mt)	V ₂ O ₅ (%)	Contained Vanadium Tonnes	Grade (V%)
Mineral reserves				
Proven	41.8	0.46	107,300	0.23
Probable	118.1	0.47	313,800	0.27
Total reserves	159.9	0.47	421,100	0.26
<i>Note 1: Grades reported to a lower cut-off 0.34 % vanadium pentoxide</i>				

Source : Atlantic's 30 June 2012 quarterly report

7.3

Historical financial performance

Atlantic's historical financial performance for each of the years ended 30 June 2010, 30 June 2011 and 30 June 2012 are summarised in the table below.

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Table 6: Atlantic's historical consolidated financial performance

	12 months ended 30 June 2010 \$000	12 months ended 30 June 2011 \$000	12 months ended 30 June 2012 \$000
Revenue	174	2,347	685
Other income	-	16,401	-
Acquisition revenue	-	32,822	-
Corporate expense	(4,617)	(10,047)	(5,254)
Administrative expense	(158)	(4,443)	(3,659)
Finance expense	-	(24,780)	(861)
Impairment of exploration expenditure	(3,132)	-	-
Other expenses	-	-	(9,714)
Profit/(loss) before income tax	(7,733)	12,300	(18,803)
Income tax (expense) / benefit	-	-	-
Profit/(loss) after income tax	(7,733)	12,300	(18,803)
Basic earning/(loss) per share	(17.6)	12.6	(14.8)
<i>Notes:</i>			
1. <i>Basic earnings per share is calculated by dividing net earnings for the year by the weighted average number of ordinary shares outstanding during the year</i>			
2. <i>Numbers may not add exactly due to rounding</i>			

Source: Atlantic's 2010, 2011 and 2012 Annual Reports

We make the following observations in relation to Atlantic's financial performance:

Year ended 30 June 2011:

- revenue of \$2.4 million relates to interest earned
- other income of \$16.4 million relates to net foreign exchange gains
- acquisition revenue of \$32.8 million represents the discount on acquisition, based on the fair value of identified net assets, of the business combination of Atlantic Vanadium Holdings Pty Ltd and MVPL on 21 September 2010
- corporate expenses of \$10.5 million primarily relate to employee benefit expenses, acquisition costs of MVPL and other corporate expenses
- finance expense of \$24.8 million relates primarily to \$14.4 million in interest expense on Senior Secured Notes, \$4.5 million in relation to previously issued syndicated debt and \$5.3 million in relation to finance leases and other borrowings.

Year ended 30 June 2012:

- revenue of \$0.7 million relates to interest earned
- other expenses of \$9.7 million relate to net foreign exchange losses and fair value adjustment on derivatives
- corporate expense of \$5.3 million relate to \$2.3 million in employee benefit expenses, with the remainder relating to depreciation costs, business development expenses and other corporate costs
- finance expense of \$0.9 million relates to \$0.7 million in unwinding rehabilitation provisions and \$0.2 million of finance leases and other borrowings. Borrowing costs associated with Senior Secured

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Notes and the Class A Convertible Bonds have been capitalised as part of the 'assets under construction' asset relating to the Windimurra Project.

- administrative expense of \$3.7 million relate to the Vietnam Bauxite project administration costs, loss on sale of asset, employee benefit expense and other administration costs.

7.4

Historical financial position

Atlantic's historical financial position as at 30 June 2010, 30 June 2011 and 30 June 2012 are summarised in the table below.

Table 7 : Atlantic's historical consolidated financial position

	30 Jun 2010 \$000	30 Jun 2011 \$000	30 June 2012 \$000
Cash and cash equivalents	4,118	100,248	24,084
Trade and other receivables	117	13,587	2,388
Inventories	-	1,922	9,935
Other current assets	-	1,239	3,165
Total current assets	4,235	116,996	39,572
Property, plant and equipment	308	281,107	459,499
Cash and cash equivalents	-	17,937	-
Trade and other receivables	-	8,667	9,227
Financial derivative asset	-	-	1,490
Total non current assets	308	307,711	470,216
TOTAL ASSETS	4,543	424,707	509,788
Trade and other payables	545	28,994	38,325
Loans and borrowings	-	16	1,128
Provisions	-	2,967	3,429
Total current liabilities	545	31,977	42,882
Loans and borrowings	-	298,453	335,198
Financial derivative liability	-	-	13,157
Provisions	-	15,615	31,582
Total non current liabilities	-	314,068	379,937
TOTAL LIABILITIES	545	346,045	422,819
NET ASSETS	3,998	78,662	89,969
<i>Shares on issue – 000s</i>	<i>1,292</i>	<i>113,602</i>	<i>154,757</i>
<i>Net asset backing per share - \$</i>	<i>0.00</i>	<i>0.69</i>	<i>0.58</i>
<i>Gearing - %²</i>	<i>0%</i>	<i>379%</i>	<i>387%</i>
<i>Current ratio – times³</i>	<i>7.77</i>	<i>3.66</i>	<i>0.92</i>
<i>Note:</i>			
<i>1. Numbers may not add exactly due to rounding</i>			
<i>2. Gearing represents total loans and borrowings divided by net assets</i>			
<i>3. Current ratio represents current assets divided by current liabilities</i>			

Source: Atlantic's 2010, 2011 and 2012 Annual Reports

The Company's current ratio has reduced significantly over the period, principally reflecting cash outflows to fund construction of the Windimurra Project. As a result, whilst the Company's net asset position has improved the carrying value of the current assets available is insufficient to fully cover short/mid term obligations. Furthermore, cash and cash equivalents as at 30 June 2012 includes approximately \$23.8 million of restricted cash in relation to interest payments under Senior Secured Notes.

Going concern

The Directors noted that the Company's 30 June 2012 financial report had been prepared on a going concern basis, which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business.

The Directors also noted however, that the operating and financing commitments of Atlantic will require further funding in the next twelve months.

The Directors indicated that they were satisfied that Atlantic would continue to operate as a going concern by raising further funds as required based on:

- Drawdown of the discretionary remaining Class B Convertible Bonds in October 2012
- Production at Atlantic's Windimurra Project is scheduled to ramp up over the coming months
- Atlantic's ability to continue to manage its working capital, including potentially accessing its existing restricted cash
- Atlantic's demonstrated ability to raise capital as required

The Directors highlighted that there are a number of inherent uncertainties about the achievement of the Company's future plans including:

- achieving production targets at the Windimurra Project in accordance with Atlantic's plans. As at the date of the 2012 Annual Report, the Windimurra Project had not yet met production targets
- managing the Company's working capital requirements
- raising the additional discretionary Class B Convertible Bonds in October 2012
- raising additional funds via debt or equity as and when required
- fluctuations in commodity prices
- instability in the debt and equity markets

Should Atlantic not be able to manage the inherent uncertainties referred to above, including completing the discretionary portion of the capital raisings announced to fund the ongoing ramp up of the Windimurra Project or source additional working capital as and when required, the Directors considered there would be significant uncertainty as to whether Atlantic would be able to meet its debts as and when they fall due.

The 2012 Annual Report did not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should Atlantic being required to realise its assets other than in the ordinary course of business.

Ernst & Young, the statutory auditors of Atlantic, noted in respect of the 2012 Annual Report that:

- Atlantic's ability to continue to meet its debts as and when they fall due is reliant on ongoing funding, management of the Company's working capital and achieving the scheduled ramp up of production at the Windimurra Project over the coming months
- As at the date of the 2012 Annual Report, Atlantic had limited unrestricted cash and had not received any of the discretionary funding from Droxford.

Ernst & Young stated that:

- it had been unable to obtain sufficient appropriate audit evidence as at the date of its report as to whether Atlantic can achieve these matters, and thus determine whether it is appropriate to prepare the financial statements on a going concern basis
- because of the significance of these matters, it had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Accordingly, Ernst & Young did not express an opinion on the financial report set out in the 2012 Annual Report.

7.5 Statement of cash flows

Atlantic's historical cash flows for each of the years ended 30 June 2010, 30 June 2011 and 30 June 2012 are summarised in the table below.

Table 8: Atlantic's historical cash flows

	12 months ended 30 June 2010 \$000	12 months ended 30 June 2011 \$000	12 months ended 30 June 2012 \$000
Receipts from customers	-	-	-
Payments to suppliers and employees	(2,235)	(21,332)	(11,873)
GST received	-	-	11,235
Interest received	174	1,957	1,469
Interest paid	-	(323)	(36,676)
Acquisition costs	(283)	(152)	-
Net cash outflow from operating activities	(2,344)	(19,850)	(35,845)
Purchase of property, plant & equipment	(316)	(82,290)	(121,093)
Payments for exploration activities	(653)	-	-
Net cash acquired in Midwest Vanadium	-	11,617	-
Receipts from customers	-	-	116
Proceeds on disposal of plant & equipment	-	-	2,653
Net cash outflow from investing activities	(969)	(70,673)	(118,324)
Proceeds from the issue of shares	5,931	56,982	27,688
Capital raising costs	(17)	(470)	(707)
Proceeds from Class A Convertible Bond	-	-	30,000
Repayment of borrowings	-	(166,504)	(2,483)
Proceeds from borrowings	-	334,554	3,596
Transaction costs relating to Senior Secured Notes	-	(14,578)	(177)
Net cash inflow from financing activities	5,914	209,984	57,917
Net increase/(decrease) in cash and cash equivalents	2,601	119,461	(96,252)
Cash and cash equivalents at the beginning of the year	1,517	4,118	118,185
Net foreign exchange differences	-	(5,394)	2,151
Cash and cash equivalents at the end of the year	4,118	118,185	24,084

Source: Atlantic's 2010, 2011 and 2012 Annual Reports

7.6 Taxation

As at 30 June 2012, Atlantic had carried forward tax losses for which no deferred tax asset has been recognised of approximately \$34.1 million, which are available for offset against future taxable income subject to continuing to meet relevant statutory tests.

7.7 Contingent liabilities

We have been advised by Atlantic's management that there are no material contingent liabilities outstanding.

7.8 Share capital and ownership

As at 28 September 2012, Atlantic had approximately 154.8 million fully paid ordinary shares on issue. A summary of the Company's top ten shareholders as at 28 September 2012 is set out in the table below.

Table 9: Atlantic's top ten shareholders

Shareholder	Number of shares held 000s	% of issued capital
Droxford International Ltd	26,958	17.4%
Citicorp Nom PL	17,614	11.4%
Michael John Minosora	15,916	10.3%
Prosperous Global Assets	13,496	8.7%
JP Morgan Nom Aust Ltd	13,382	8.7%
National Nom Ltd	12,262	7.9%
HSBC Custody Nom Aust Ltd	8,176	5.3%
J P Morgan Nom Aust Ltd	4,963	3.2%
Atlantic Incentive Plan P	4,960	3.2%
Trinity Mgmt PL	2,885	1.9%
Total number of shares held by the top 10 shareholders	120,612	78.0%
Other shareholders	34,145	22.0%
Total number of shares on issue	154,757	100.00%

Source: Atlantic's management and KPMG analysis

Substantial shareholder notices received by Atlantic and the ASX in the last twelve months are set out below:

Table 10: Recent substantial shareholder notices

Shareholder	Date of notice	Number of shares held
Droxford	4 September 2012	26,958,333
Michael John Minosora	2 July 2012	15,916,969
L1 Capital Pty Limited	14 May 2012	7,780,641

Source: ASX announcements

7.9 Performance shares

Atlantic currently has 66 Class B Performance Shares on issue which formed part of the consideration paid on the acquisition of Azure Mining International Pty Ltd in May 2009.

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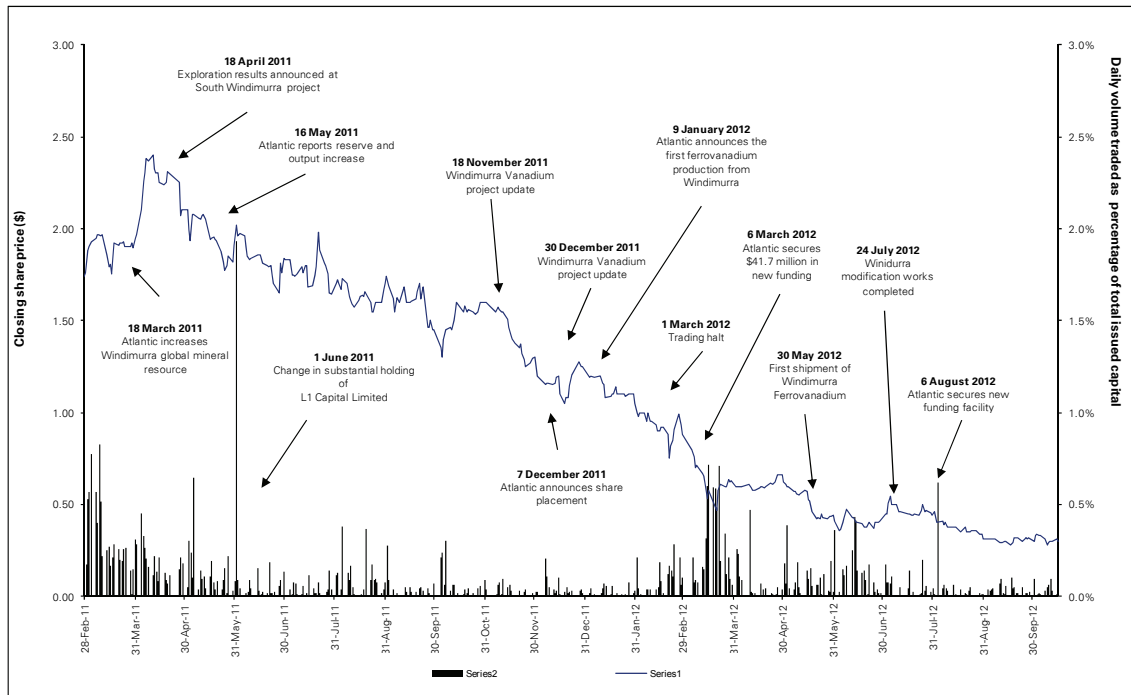
The Class B Performance Shares do not participate in dividends or in the proceeds on a winding up of Atlantic. Class B Performance Shares hold no voting rights at Atlantic’s shareholders’ meetings when a poll is called and are not eligible to participate in votes on a show of hands.

The Class B Performance Shares convert to a total of 6 million fully paid ordinary Atlantic shares upon the delineation of a resource of not less than 30 million tonnes of greater than 35% Al₂O₃ on the Bao Loc exploration area. The Company has advised that this conversion condition for the Class B Performance Shares has not been met at the date of this report and is considered by Atlantic to be highly unlikely to be met prior to the maturity of the Convertible Bonds on 6 March 2015.

7.10 Share price and volume trading history

The chart below depicts Atlantic’s daily closing share price on ASX over the 18-month period to 16 October 2012.

Figure 2: Atlantic daily closing price and volume of shares traded on ASX



Source: CIQ, KPMG’s analysis and ASX announcements

As illustrated in the chart above, Atlantic’s closing share price reached a peak of \$2.40 on 11 April 2011 but generally trended downwards closing at \$0.30 on 19 October 2012.

Other than normal annual and quarterly activities reporting, announcements by Atlantic in the twelve months to 19 October 2012 that may have had an impact on its share price include:

- 9 October 2012 – Atlantic announced the appointment of Chief Operating Officer to Windimurra
- 2 October 2012 – Funding and Project Update
- 6 September 2012 - Windimurra Project update
- 30 August 2012 – Windimurra Project update

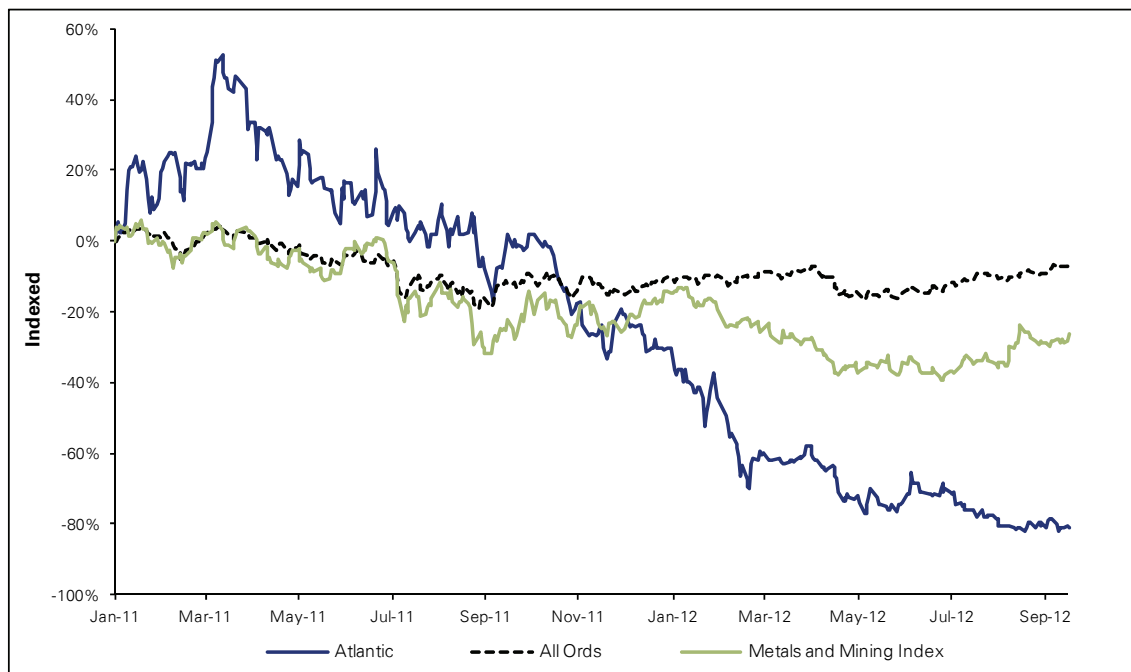
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- 6 August 2012 – Atlantic secures the Class B Convertible Bonds facility
- 24 July 2012 – Windimurra modification works completed
- 30 May 2012 – First commercial shipment of ferrovanadium
- 6 March 2012 – Atlantic secures \$41.7 million in new funding
- 9 January 2012 – Atlantic announced first ferrovanadium production from the Windimurra Project plant
- 30 December 2011 – Atlantic announced that the process commissioning at the Windimurra Project was continuing, with first production of ferrovanadium and the first iron ore shipment, both previously anticipated in the last calendar quarter of 2011, now expected to occur during January 2012
- 7 December 2011 – Atlantic announced a \$25 million share placement at a fixed price of \$1.20 per share.
- 18 November 2011 – Windimurra Project update

Further details in relation to all announcements made by Atlantic to ASX can be obtained from either Atlantic’s website or ASX’s website at www.asx.com.au.

As illustrated in the figure below, Atlantic’s share price generally out performed the Metals and Mining Index and the All Ordinaries Index until approximately November 2011 following which the share price has generally underperformed against both indices.

Figure 3: Atlantic’s relative performance to the Mining and Metals Index and All Ordinaries Index



Source: Capital IQ

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7.11 Trading liquidity on ASX

An analysis of the trading in Atlantic's shares on ASX in the 12-month period to the last trading day prior to the Company entering into a trading halt ahead of the announcement on 6 March 2012 of the original terms for the issue of the Class A Convertible Bonds is set out below.

Table 11: Trading in Atlantic's shares on ASX prior to the 6 March 2012 announcement

Period up to and including 29 February 2012	Closing share price (low) \$	Closing share price (high) \$	VWAP \$	Cumulative volume (millions)	As a % of total issued capital
1 day	0.87	0.91	0.88	0.1	0.1
1 week	0.83	0.99	0.91	1.1	0.8
1 month	0.75	1.10	0.91	2.7	2.0
3 months	0.75	1.30	1.00	4.4	3.3
6 months	0.75	1.74	1.22	7.7	6.2
12 months	0.75	2.45	1.75	30.1	26.0

Source: Capital IQ and KPMG analysis

Atlantic's shares on ASX exhibited very low liquidity for the 12 month period to 6 March 2012, with only approximately 26% of total shares on issue traded at an average daily volume of less than 0.1 million shares.

An analysis of the trading in Atlantic's shares on ASX in the period from 6 March 2012 to 3 August 2012 (inclusive), being the last trading day prior to the announcement of the resetting of the Class A Convertible Bonds issue price, the Class B Convertible Bonds and the Granting of Security on 6 August 2012, is set out below.

Table 12: Trading in Atlantic's shares on ASX from 6 March 2012 to 3 August 2012

Period from 6 March 2012 to 3 August 2012 (inclusive)	Closing share price (low) \$	Closing share price (high) \$	VWAP \$	Cumulative volume (millions)	As a % of total issued capital
156 days	0.36	0.90	0.52	20.1	14.0

Source: Capital IQ and KPMG analysis

Atlantic's shares continued to exhibit very low liquidity over the 156 day period set out above with only approximately 14.0% of total shares on issue traded on ASX at an average daily volume of approximately 0.1 million shares.

An analysis of the volume of trading in Atlantic's shares on ASX in the period from 6 August 2012 to 16 October 2012 (inclusive), is set out below.

Table 13 : Trading in Atlantic's shares on ASX post the 6 August 2012 announcement

Period from 6 August 2012 to 16 October 2012 (inclusive)	Closing share price (low) \$	Closing share price (high) \$	VWAP \$	Cumulative volume (millions)	As a % of total issued capital
72 days	0.26	0.41	0.32	2.6	1.7

Source: Capital IQ and KPMG analysis

Since 6 August 2012, the Company's share price has continued to decline closing at \$0.30 on 19 October 2012. The Company's shares have traded at a discount to the proposed Conversion Price of the

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Convertible Bonds throughout the period since the date of the announcement of the new funding arrangements.

8 Profile of Droxford and the Salim Group

Droxford is a company incorporated in the British Virgin Islands and whose registered office is situated at P.O. Box 957, Offshore Corporations Centre, Road Town, Tortola, British Virgin Islands. Droxford operates from Singapore and its business premises are located at 75 Bukit Timah Road. #05 - 01/02 Boon Siew Building, Singapore 229833.

Droxford is an investment holding company with substantial investments in Australian companies operating in the investment and financing, agribusiness and minerals industries.

Droxford's sole shareholder and sole director is Mr Anthoni Salim, an Indonesian citizen and permanent resident of Singapore. Mr Salim is the president and Chief Executive Office of the Salim Group, one of Indonesia's largest conglomerates.

The Salim Group has diverse business investments and interests including the sale and distribution of foods, beverages and dairy products, as well as property development, retail, telecommunications and resources.

The Salim Group's key investments include:

- a 45% interest in First Pacific, a Hong Kong listed investment and management company which has a 52% interest in Jakarta-listed PT Indofood Sukses Makmur Tbk (IndoFood), the leading processed food company in Indonesia. Indofood and its subsidiaries manufacture instant noodles (and is the largest noodle maker in the world), wheat flour, baby food, food seasonings, cooking oil and snacks
- a 47% interest in QAF, a company listed on the Singapore Stock Exchange engaged in food manufacturing and trading, distribution, retailing and colds storage.

In 2011, Forbes.com estimated Anthoni Salim's net worth in the order of US\$3.6 billion.

9 Impact of the Future Conversion

9.1 Dilutionary impact

Atlantic currently has approximately 154.8 million fully paid ordinary shares on issue. Droxford currently holds approximately 27.0 million fully paid ordinary shares, representing 17.4% of the current issued capital in the Company at the date of this report.

Based on the terms of the Convertible Bonds, non-associated shareholders would as a bloc be diluted from approximately 82.6% to between approximately 39.6% and 30.1% assuming an issue price of \$0.50 per share, the Future Conversion is approved by non-associated shareholders and Droxford elects to exercise its entitlement as set out in the table below.

Table 14 : Atlantic's estimated future shareholder interests

Estimated change in shareholding	Scenario A		Scenario B	
	Droxford	Non-associated shareholders	Droxford	Non-associated shareholders
Current shares on issue	26,958,333	127,799,006	26,958,333	127,799,006
<i>% of voting interest</i>	<i>17.4%</i>	<i>82.6%</i>	<i>17.4%</i>	<i>82.6%</i>
New shares from conversions:				
Class A Convertible Bonds	67,997,338		98,505,913	
Class B Convertible Bonds	100,000,000		171,151,972	
New total shares	194,955,671	127,799,006	296,616,219	127,799,006
<i>New % of voting interest</i>	<i>60.4%</i>	<i>39.6%</i>	<i>69.9%</i>	<i>30.1%</i>
<i>Notes :</i>				
1. Scenario A assumes the minimum level of capitalised interest on the Convertible Bonds				
2. Scenario B assumes the maximum level of capitalised interest on the Convertible Bonds				
3. Assumes a further Conversion Price Adjustment is not triggered				

Source: Atlantic's Management

In the event a further Conversion Price Adjustment is triggered non-associated shareholders would likely experience greater dilution than the scenarios set out in the table above, however given the extent of any reset is unable to be determined at this time, the extent of any further dilution cannot be determined at this stage. Because the Conversion Price may, at the time of conversion, be less than \$0.50 (if an event occurs which results in a Conversion Price Adjustment), the Company is also seeking Shareholder approval for such higher number of shares which may be issued as a result of the Conversion Price being reduced, provided that the voting power of Droxford and its associated following the acquisition of such higher number of shares does not exceed 90%.

9.2 Financial implications

Atlantic's management has prepared a pro-forma balance sheet as at 30 June 2012 as though the conversion of the Convertible Bonds occurred as at that date. The pro-forma balance sheet is included in the Explanatory Statement and reproduced below.

Table 15 : Pro forma balance sheet following the Future Conversion

	30 June 2012 \$000	Class B convertible bond issue	Conversion of Class A and Class B convertible bond	Pro-forma balance sheet
Cash and cash equivalents	24,084	50,000	-	74,084
Trade and other receivables	2,388	-	-	2,388
Inventories	9,935	-	-	9,935
Other current assets	3,165	-	-	3,165
Total current assets	39,572	50,000	-	89,572
Property, plant and equipment	459,499	-	-	459,499
Cash and cash equivalents	-	-	-	-
Trade and other receivables	9,227	-	-	9,227
Financial derivative asset	1,490	-	-	1,490
Total non current assets	470,216	-	-	470,216
TOTAL ASSETS	509,788	50,000	-	559,788

	30 June 2012 \$000	Class B convertible bond issue	Conversion of Class A and Class B convertible bond	Pro-forma balance sheet
Loans and borrowings	1,128	-	-	1,128
Provisions	3,429	-	-	3,429
Total current liabilities	42,882	-	-	42,882
Loans and borrowings	335,198	32,249	(51,457)	315,990
Financial derivative liability	13,157	17,751	(30,908)	-
Provisions	31,582	-	-	31,582
Total non current liabilities	379,937	50,000	(82,365)	347,572
TOTAL LIABILITIES	422,819	50,000	(82,365)	390,454
NET ASSETS	86,969	-	(82,365)	169,334
<i>Shares on issue (million)</i>	<i>154.8</i>	-	<i>160.0</i>	<i>314.8</i>
<i>Net asset backing per share</i>	<i>0.56</i>	-	-	<i>0.54</i>
<i>Gearing - %¹</i>	<i>388%</i>	-	-	<i>187%</i>
<i>Current ratio – times²</i>	<i>0.92</i>	-	-	<i>2.09</i>
<i>Note:</i>				
<i>1. Numbers may not add exactly due to rounding</i>				
<i>2. Gearing represents total loans and borrowings divided by net assets</i>				
<i>3. Current ratio represents current assets divided by current liabilities</i>				

Source: Atlantic's management

In relation to the table above, we note:

- the pro-forma financial position is based on Atlantic's financial position as at 30 June 2012 adjusted for the theoretical full \$50 million issue of the Class B Convertible Bonds, \$40 million of which has already been issued prior to the date of this report with the remaining \$10 million to be issued at Droxford's election
- the pro-forma impact of the future conversion does not include the impact of capitalised interest
- the future conversion will decrease the net asset backing per Atlantic share from \$0.56 to \$0.54 per share, reflecting that the Conversion Price lies below the current net tangible asset backing per share
- the future conversion of the Convertible Bonds will have a substantial positive impact to the Company's net asset position and gearing profile as a result of the conversion of the \$82.4 million in debt to equity, including:
 - increasing the net assets from \$87.0 million to \$169.3 million
 - decreasing the Company's gearing from 388% to 187%

9.3 Board of Directors and management

Following the Future Conversion, Droxford's interest in Atlantic is expected to increase significantly as set out in section 9.1 above. In the event Droxford's interest in Atlantic increases significantly, Droxford may be able to appoint further representatives to Atlantic's Board of Directors and exert increased influence over Atlantic's management. In this regard, we have been advised by Atlantic that Droxford has not expressed any intention to seek additional representation on Atlantic's Board of Directors.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG are Jason Hughes and Diana D'Ambra. Each has a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, as well as the preparation of expert reports.

Jason Hughes is a Partner in the KPMG Partnership and an Authorised Representative of KPMG Corporate Finance. Jason is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and holds a Bachelor of Commerce from the University of Western Australia. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Diana D'Ambra is an Authorised Representative of KPMG Corporate Finance. Diana is a Fellow of the Institute of Chartered Accountants in Australia and holds a Master of Commerce degree from the University of New South Wales. Diana has had in excess of 20 years' experience in the provision of corporate financial advice, including specific advice on valuations and mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Future Conversion and the Granting of Security are fair and reasonable to the non-associated shareholders. KPMG Corporate Finance expressly disclaims any liability to any Atlantic shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Statement or any other document prepared in respect of the Future Conversion or the Granting of Security. Accordingly, we take no responsibility for the content of the Explanatory Statement as a whole or other documents prepared in respect of the Future Conversion or the Granting of Security.

It is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. KPMG provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

Our report makes reference to 'KPMG analysis', this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Atlantic for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

KPMG is entitled to receive a fee of \$90,000, excluding GST, for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

For personal use only

From time to time KPMG, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have not provided any services to or received fees from Atlantic or Droxford over the past two years. No individual involved in the preparation of this report holds a substantial interest in, or is a substantial creditor of, the Company or has other material financial interests in the transaction. Employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in Atlantic. However, no individual involved in the preparation of this report holds a direct interest in the securities of Atlantic.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Statement to be issued to the shareholders of Atlantic. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Indemnity

Atlantic has agreed to indemnify and hold harmless KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by Atlantic of its obligations.

Atlantic has also agreed that KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by Atlantic or any of its representatives, which is false, misleading or incomplete. Atlantic has agreed to indemnify and hold harmless KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to Atlantic or any third party as a result of reliance by KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by Atlantic or any of its representatives, which is false, misleading or incomplete.

Professional Standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently. KPMG Corporate Finance was remunerated via a time based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, KPMG Corporate Finance has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements including inter alia, annual and half year financial statements and quarterly activity reports
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd, the Bureau of Resources and Energy Economics, U.S Geological Survey and Geoscience Australia
- financial information from Capital IQ, Thompson Financial Securities, Thomas Reuters (Professional) Australia Limited, Mergermarket and Connect4
- company websites

Non-public information

- the Class A and Class B Convertible Bond Deeds between Atlantic Ltd and Droxford International Limited
- Atlantic management's latest internal financial projections
- Atlantic's top 10 shareholders as at 28 September 2012
- Board minutes and various internal briefing papers

In addition, we have had discussions with various senior management of Atlantic.

Appendix 3 – Industry overview

Overview

We have set out below an overview of recent trends in the global vanadium market.

Vanadium

Vanadium is a soft, silver-gray metallic element. There is no single mineral ore from which vanadium is recovered, trace elements are found in a number of different rock materials and it is a by-product of other mining operations. Vanadium is found in magnetite (iron oxide) deposits, bauxite (aluminium ore), rocks with high concentrations of phosphorous-containing minerals and sandstones that have high uranium content.

Vanadium is principally used in various metal alloys to reduce weight and increase strength, toughness and heat resistance.

Vanadium supplies originate from primary producers and secondary producers as follows:

- primary producers extract vanadium from the mining and processing of magnetite iron ore
- secondary production of vanadium is derived from a by-product of steel making in the form of steel smelter slag, which accounts for the majority of vanadium supply. Vanadium is also produced from furnace waste and crude oil residues

Vanadium is sold as a ferro vanadium alloy, vanadium pentoxide and vanadium trioxide. Approximately 90% of vanadium is used in the production of steel alloys for the construction, transport, industrial machinery and tool industries.

Vanadium's other uses include:

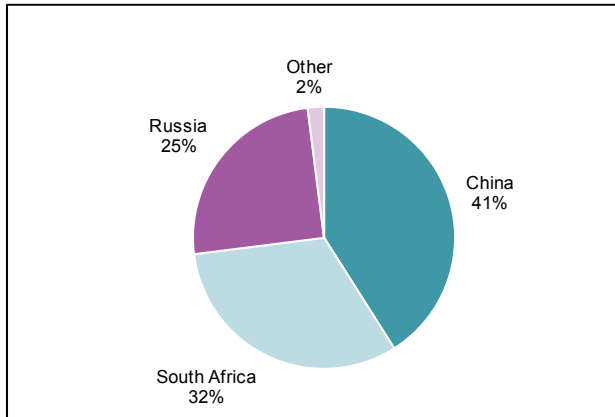
- in the production of titanium alloys used in the aerospace and nuclear industries
- in the production of vanadium redox batteries
- as a chemical catalyst in the process for manufacturing fertilisers, nylon, polyester, PVC and sulphuric acid, and the hydro processing of fuels to maintain environmental standards
- as an additive to glass to colour tint and filter ultraviolet rays
- in the manufacture of high temperature superconducting cables.

Vanadium supply

Based on the US Geological Survey, the world's largest economic resources of vanadium are located in China which has around 5.1 million tonnes, followed by the Russian Federation with 5.0 million tonnes and South Africa with around 3.5 million tonnes. Geoscience Australia data indicates that Australia has the world's fourth largest resource of vanadium.

Total global production of vanadium in 2010 was estimated at 56,500 tonnes with production primarily driven by China, South Africa and Russia as set out in the chart below.

Figure A3-1 : Vanadium production by country in 2010



Source : U.S Geological Survey 2011

Chinese production is controlled by state-owned enterprises, while South Africa and Russia's production is largely driven by listed companies Xstrata plc and Evraz plc. Australia is an emerging producer of vanadium with vanadium production having commenced at the Windimurra Project and further projects are under consideration, including the Speewah, Barrambie and Mount Peake projects.

Brokers' reports forecast the supply of vanadium to keep pace with steel demand with global vanadium supply expected to increase by approximately 30% from 2010 (56,500 tonnes per annum) to 2015 (75,000 tonnes per annum).

Vanadium demand

The demand for vanadium is heavily linked to the steel industry with over 90% of vanadium used in the production of steel.

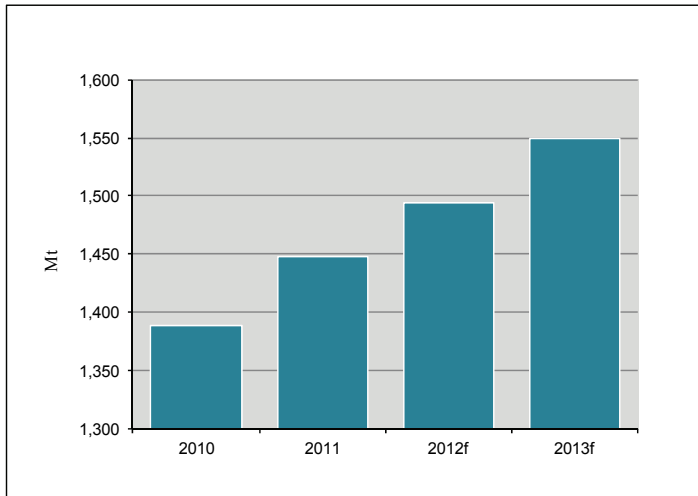
World steel consumption is forecast by the Bureau of Resources and Energy Economics (BREE) to increase by 3% to 1.5 billion tonnes in 2012, supported by demand from the construction of infrastructure projects in many developing economies.

China is currently the world's largest consumer of steel, accounting for an estimated 43% of world consumption in 2011. China's consumption of steel is forecast to increase by 4% per annum in 2012 and 2013 to reach 676 million tonnes in 2013, supported by significant construction of public infrastructure and manufacturing of consumer durables.

BREE also forecasts India's steel consumption to increase by 7% in 2013, relative to 2012, to 86 million tonnes as robust economic growth underpins increases in government spending on infrastructure and higher consumption of consumer durables.

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Figure A3-2: Historical and forecast global steel demand



Source: BREE Australian Commodities Report June Quarter 2012

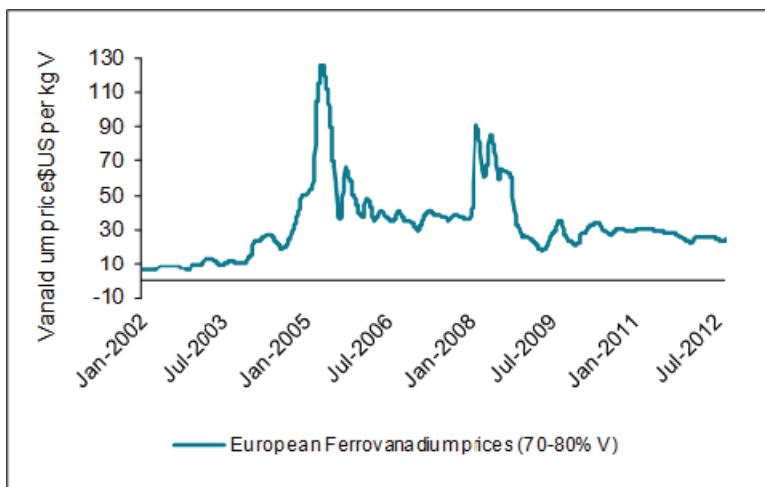
Substitutes

Other alloying elements including niobium, titanium, tungsten and manganese can be used as substitutes to vanadium in alloy steels. Platinum and nickel can be used to substitute vanadium in chemical catalysts. Currently there are no viable substitutes for vanadium in aerospace titanium alloys or vanadium battery applications.

Vanadium pricing

Vanadium is usually sold as vanadium pentoxide in US dollars per pound (lb) or ferrovanadium US dollars per kilogram (kg). Vanadium pentoxide sold generally contains a minimum 98% vanadium pentoxide representing 56% pure vanadium. Ferrovanadium is generally sold with 80% pure vanadium content. Ferrovanadium prices trade at a premium to vanadium pentoxide prices. The following graph sets out the European ferrovanadium price (publicly available) since 2002.

Figure 4 : European ferrovanadium prices since 2002



Source : Bloomberg

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Ferrovanadium price peaks in May 2005 and early 2008 were driven by actual or anticipated supply disruption including South African power generation issues and earthquakes in China. Since January 2010, ferrovanadium prices have been relatively stable at an average of approximately \$US28.27 per kg of vanadium. As at 12 October 2012, the spot price for vanadium was US\$24.60 per kg in Europe and US\$30.42 per kg in the United States.

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Part Two – Financial Services Guide

Dated 22 October 2012

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) and Jason Hughes and Diana D'Ambrá as authorised representatives of KPMG Corporate Finance (Authorised Representatives), authorised representative numbers 484183 and 405745 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representatives are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes excluding investor directed portfolio services;
- securities, and
- superannuation,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representatives' responsibility to you

KPMG Corporate Finance has been engaged by Atlantic Limited (Atlantic or the Client) to provide general financial product advice in the form of a Report to be included in the Explanatory Statement (Document) prepared by Atlantic in relation to the potential conversion of the Convertible Bonds (the Future Conversion) by Droxford International Limited (Droxford) and the granting of security of assets in favour of Droxford.

You have not engaged KPMG Corporate Finance or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance in the order of \$90,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. Jason Hughes is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years KPMG entities have provided services to the Client for which professional fees of approximately \$5,000 were received. None of those services related to the transaction or alternatives to the transaction. KPMG entities have not provided any professional services to Droxford for which professional fees were received over the past two years. No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, Atlantic or Droxford or has other material financial interests in the transaction.

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Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representatives know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint. Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website

www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3,
Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Jason Hughes/Diana D'Ambra
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

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PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:
 LEVEL 29, BANKWEST TOWER
 108 ST GEORGES TERRACE
 PERTH WA 6000

ATLANTIC LTD
 ABN: 60 009 213 763

SHARE REGISTRY:
 Security Transfer Registrars Pty Ltd
All Correspondence to:
 PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
 770 Canning Highway,
 APPLECROSS WA 6153 AUSTRALIA
 T: +61 8 9315 2333 F: +61 8 9315 2233
 E: registrar@securitytransfer.com.au
 W: www.securitytransfer.com.au

Code:

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

OR

The meeting Chairperson
 (mark with an "X")

The name of the person you are appointing

(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10.00am Perth time on Thursday, 29 November 2012 at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia, and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution

1. Adoption of the Remuneration Report
2. Election of Mr Tony Veitch as a Director
3. Approval of the Issue of Shares to Droxford under the Class A Convertible Bond Deed
4. Approval of the Issue of Shares to Droxford under the Class B Convertible Bond Deed
5. Approval of the Grant of Security to Droxford under the Class B Convertible Bond Deed
6. Approval of Executive Incentive Share Plan

	For	Against	Abstain*
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of resolutions 1 to 6 and votes cast by him/her other than as a proxy holder would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on resolutions 1 to 6 and your votes will not be counted in calculating the required majority if a poll is called on resolutions 1 to 6. The Chairperson of the Meeting intends to vote undirected proxies in favour of all resolutions, including resolution 1.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10.00am Perth time on Tuesday 27 November 2012.

ONLINE PROXY SERVICE

You can lodge your proxy online at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

Online Proxy ID:

My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER

NOTES

1. Name and Address

This is the name and address on the Share Register of ATLANTIC LTD. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of ATLANTIC LTD.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

- (a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
(b) Return both forms in the same envelope.

5. Signing Instructions

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 10.00am Perth time on Tuesday 27 November 2012, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333
Facsimile +61 8 9315 2233
Email registrar@securitytransfer.com.au
Online www.securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.