

26 July 2016

SCHEME BOOKLET REGISTERED AND DESPATCHED TO SHAREHOLDERS

Atlantic Ltd (ASX: ATI) (**Atlantic**) is pleased to announce that the Australian Securities and Investments Commission has registered the Scheme Booklet in relation to the previously announced Scheme of Arrangement (**Scheme**) under which Droxford International Limited (**Droxford**) proposes to acquire all of the Atlantic shares which it does not already own.

If the Scheme is approved by the requisite majority of Atlantic shareholders and all other conditions precedent are satisfied or waived (where capable of waiver), Atlantic shareholders will receive a payment of A\$0.003 cash per share on the implementation date (currently expected to be on or about 20 September 2016*).

A copy of the Scheme Booklet, which includes an Independent Expert's Report, a Notice of Scheme Meeting and a copy of the proxy form for the Scheme Meeting, has now been despatched to shareholders of Atlantic.

A copy of the Scheme Booklet is attached to this announcement. The Scheme Booklet sets out all the information shareholders require to evaluate the Scheme proposal.

Atlantic's Independent Director continues to recommend that Atlantic shareholders vote in favour of the Scheme at the Scheme Meeting to be held at 11:30 am (AWST) on Wednesday 24 August 2016.

--ends--

For further information please contact:

Dr Mike Daniel
Independent Non-Executive Director
Atlantic Ltd
Phone: + 61 8 6141 7100

Tony Veitch
Chief Commercial Officer
Atlantic Ltd
Phone: +61 8 6141 7100

* Dates are subject to all necessary approvals from the court and any other regulatory authority.

ATLANTIC LTD

ACN 009 213 763

SCHEME BOOKLET

For a scheme of arrangement between Atlantic and its shareholders (other than the Excluded Shareholders) in relation to the proposed acquisition by Droxford International Limited of all the fully paid ordinary shares (other than shares held by the Excluded Shareholders) in Atlantic

VOTE IN FAVOUR

**THE INDEPENDENT DIRECTOR RECOMMENDS THAT YOU
VOTE IN FAVOUR OF THE SCHEME AND THE FINANCIAL
ASSISTANCE RESOLUTION IN THE ABSENCE OF A SUPERIOR
PROPOSAL**

This is an important document and requires your immediate attention.

You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme and the Financial Assistance Resolution. If you are in any doubt as to what you should do, you should consult your legal, financial or other professional adviser immediately.

Important Notices and Disclaimers

Date of this Scheme Booklet

This Scheme Booklet is dated 20 July 2016.

Nature of this document

This Scheme Booklet provides Atlantic Shareholders with information about the proposed acquisition of Atlantic by Droxford. If you have sold all of your Atlantic Shares, please ignore this Scheme Booklet.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet are defined in the Glossary. The Independent Expert's Report contains its own defined terms which are sometimes different from those set out in the Glossary.

No internet site is part of this Scheme Booklet

Atlantic and Droxford may maintain websites from time to time. Any references in this Scheme Booklet to any website is for information purposes only and no information contained on any website forms part of this Scheme Booklet.

Purpose of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Financial Assistance Resolution required by section 260B(4) of the Corporations Act and the explanatory statement for the Scheme required by section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure 3.

General

This Scheme Booklet is important. You should read this Scheme Booklet carefully before making a decision about how to vote on the Scheme Resolution and the Financial Assistance Resolution to be considered at the Scheme Meeting.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own individual investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet before making any investment decision, including any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to Atlantic Shares or any other securities. If you are in

any doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser immediately.

Taxation

Atlantic Shareholders should consult their tax adviser as to the applicable tax consequences of the Transaction. A summary of shareholder taxation considerations is set out in Section 8.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Atlantic Shareholders, or a solicitation of an offer from Atlantic Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside Australia.

Role of ASIC and ASX

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act before being sent to Atlantic Shareholders. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved). This Scheme Booklet provides all information required to be given to Atlantic Shareholders or that is otherwise material to the decision of Atlantic Shareholders as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting.

ASIC has been requested to provide a statement that it has no objection to the Scheme in accordance with section 411(17)(b) of the Corporations Act. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved and directed that an explanatory statement accompany the notice of meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how you should vote (on this matter, you must reach your own decision); or
- has prepared, or is responsible for, the content of this Scheme Booklet; or
- has approved or will approve the terms of the Scheme.

Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements in this Scheme Booklet, other than statements of historical facts, are or are deemed to be forward-looking statements.

All forward looking statements in this Scheme Booklet (including in the Independent Expert's Report) reflect views only as at the date of this Scheme Booklet. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements to be materially different from the anticipated results, performances or achievements expressed, projected or implied by such forward-looking statements.

Neither Atlantic nor Droxford, their respective subsidiaries or their respective directors, officers and employees, any persons named in this Scheme Booklet with their consent, or any person involved in the preparation of this Scheme Booklet, makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place reliance on any forward looking statement.

Responsibility statement

The Atlantic Information has been prepared by Atlantic and is the responsibility of Atlantic. Neither Droxford, nor its directors, officers, employees or advisers assume any responsibility for the accuracy or

completeness of the Atlantic Information.

The Droxford Information has been prepared by Droxford and is the responsibility of Droxford. Neither Atlantic, nor its directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the Droxford Information.

The Independent Expert has prepared, and is responsible for, the Independent Expert's Report in relation to the Scheme contained in Annexure 1. None of Atlantic, Droxford, or their respective directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including those in respect of the Scheme Consideration, are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Privacy and personal information

Atlantic and Droxford may collect personal information to implement the Scheme. The personal information may include the name, contact details and details of shareholdings of Atlantic Shareholders together with the name and contact details of individuals appointed by Atlantic Shareholders as proxies, body corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Atlantic and Droxford to conduct the Scheme Meeting and to implement the Scheme. Personal information of the type described above may be disclosed to the Atlantic Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Atlantic and Droxford, and Atlantic and Droxford's advisers and service providers. Atlantic Shareholders have certain rights to access personal information that has been collected. Atlantic Shareholders should contact the Atlantic Registry in the first instance, if they wish to access their personal information.

Atlantic Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Notice of the Second Court Hearing

If you wish to oppose approval of the Scheme at the Second Court Hearing, you may do so by filing with the Court and serving on Atlantic a notice of appearance in the prescribed form together with any affidavit that you propose to rely on. You may appear at the Second Court Hearing to be held at the Federal Court of Australia, Peter Durack Commonwealth Law Courts Building, 1 Victoria Avenue, Perth WA 6000.

Supplementary information

Please refer to Section 10.11 for information about the steps that Atlantic will take if information about the Scheme needs to be updated.

If you have any questions or require further information in relation to the Scheme or this Scheme Booklet, you should contact Company Secretary Tony Veitch on +61 8 6141 7100, between 8:30 am and 5:30 pm AWST, Monday to Friday.

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Letter from the Independent Director of Atlantic

20 July 2016

Dear Atlantic Shareholder

On 8 April 2016, Atlantic Ltd (**Atlantic**) announced that it had entered into a Scheme Implementation Deed with Droxford International Limited (**Droxford**) under which it is proposed that Droxford will acquire all of the fully paid ordinary Atlantic Shares that it does not already own by way of a scheme of arrangement between Atlantic and its shareholders (**Scheme**).

If the Scheme is approved and implemented, Atlantic Shareholders (other than Excluded Shareholders) will receive a cash payment of \$0.003 for each Atlantic Share they own.

Atlantic appointed me to be the Independent Director to consider the Scheme proposal and to advise the Atlantic Board on appropriate responses. The other Directors on the Atlantic Board, namely, Mr Phiong Phillipus Darma and Mr Bradley James Ellis, were nominated to the Atlantic Board by, or otherwise have connections with, Droxford. As such, they were not involved in Atlantic's assessment of the Scheme proposal consistent with participating insider protocols and existing conflicts protocols adopted by the Atlantic Board.

The last few years has been an extremely difficult period for Atlantic, particularly in light of the delays in the ramp up of vanadium production at Windimurra, the major fire in the beneficiation plant at Windimurra in February 2014 and the cessation of consensual restructuring discussions in February 2015 leading to the appointment of Joint and Several Administrators and Receivers and Managers of the Windimurra operating entities wholly owned by Atlantic, Atlantic Vanadium Holdings Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) and Midwest Vanadium Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed). As a result, Atlantic Shares have remained suspended from trading on ASX since 5 February 2014.

Atlantic has been fortunate in that Droxford has remained supportive throughout this difficult period and, despite the significant debt due to Droxford, has extended forbearance to Atlantic until now to allow it to (i) re-acquire the Windimurra project assets; and (ii) continue the negotiations with the insurers regarding a final settlement of Atlantic's business interruption insurance claim as a result of the fire in the beneficiation plant.

Both of those matters have now progressed to the point where it is clear that Atlantic will not be in a position to repay its debt owed to Droxford in the foreseeable future and, as a result, a consensual recapitalisation of Atlantic's balance sheet is required if the company is to avoid insolvency. Following discussions with Droxford and consideration of the various options available to both parties, Droxford has put forward the Scheme proposal as a compromise to pursuing its rights in relation to the debt and as a gesture of good faith to Atlantic Shareholders.

The Independent Expert, Deloitte Corporate Finance Pty Limited, appointed by me on behalf of Atlantic, has concluded that the Scheme is in the best interests of Atlantic Shareholders, in the absence of a superior proposal. The Independent Expert has assessed that the Scheme Consideration of \$0.003 per Atlantic Share exceeds the valuation range (as concluded by the Independent Expert) of negative \$2.15 to negative \$2.02 per Atlantic Share.

Between the announcement of Droxford's proposal on 8 April 2016 and the date of this Scheme Booklet, no superior proposal has emerged. Should any Competing Proposal be received, I, as the Independent Director will, consistent with my fiduciary duties, consider the merits of any such proposal and advise you accordingly.

A summary of the key reasons to vote for or against the Scheme and the Financial Assistance Resolution is set out on the following pages. Section 2 contains a more detailed assessment of the matters that I, as the Independent Director, consider important to your decision whether or not to vote in favour of the Scheme and the Financial Assistance Resolution.

After careful consideration of the Scheme proposal, I, as the Independent Director, recommend that, in the absence of a superior proposal, you VOTE IN FAVOUR of the Scheme Resolution and the Financial Assistance Resolution at the Scheme Meeting to be held on 24 August 2016. I intend to vote my Atlantic Shares, or ensure that those shares are voted, in favour of the Scheme Resolution and the Financial Assistance Resolution in the absence of a superior proposal.

For personal use only

Your vote is important in determining whether or not the Scheme will proceed. If the Scheme and the Financial Assistance Resolution is not approved at the Scheme Meeting, the Scheme will not be implemented. If the Scheme is not implemented, Atlantic will continue as an independent entity listed on ASX and Atlantic Shareholders will not receive the cash payment of \$0.003 per Atlantic Share. If the Scheme does not proceed and no alternative proposal emerges, Droxford has indicated that it will enforce its rights as the majority creditor of Atlantic (which may ultimately result in the winding up of Atlantic) and Atlantic Shareholders are likely to see no return for their Atlantic Shares. This view is supported by the findings of the Independent Expert's Report set out at Annexure 1 to this Scheme Booklet. I encourage you to read this Scheme Booklet (including the Independent Expert's Report) carefully as it contains essential information to the Scheme that will assist you in reaching an informed decision.

If you have any questions in relation to the Scheme, please contact our Company Secretary Tony Veitch on +61 8 6141 7100 between 8:30 am to 5:30 pm AWST, Monday to Friday. Alternatively, you should contact your financial or other professional adviser for specific information on the implications of the Scheme in respect of your personal circumstances.

Yours sincerely

Dr Michael John Daniel
Non-Executive Director

Important dates and times for the Scheme

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| Date of this Scheme Booklet | 20 July 2016 |
| Latest time and date for lodgement of completed Proxy Forms or powers of attorney for the Scheme Meeting | 11:30am (AWST) on Monday, 22 August 2016 |
| Time and date for determining eligibility of Atlantic Shareholders to vote at the Scheme Meeting | 11:30am (AWST) on Monday, 22 August 2016 |
| Scheme Meeting to be held at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia | 11:30am (AWST) on Wednesday, 24 August 2016 |
| Second Court Hearing for approval of the Scheme | 9:30am (AWST) on Monday, 5 September 2016 |
| Effective Date of the Scheme Court order lodged with ASIC and announcement to ASX | Tuesday, 6 September 2016 |
| Record Date for determining entitlements to the Scheme Consideration | 5:00pm (AWST) on Tuesday, 13 September 2016 |
| Implementation Date for the Scheme Payment of the Scheme Consideration | Tuesday, 20 September 2016 |

- (1) All stated dates and times are indicative only. The actual timetable will depend on many factors outside the control of Atlantic, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Scheme by each of Atlantic and Droxford. Any changes to the above timetable will be announced to ASX and will be notified on Atlantic's website at www.atlanticltd.com.au.
- (2) All references to time in this Scheme Booklet are references to AWST, unless otherwise stated.
- (3) Any obligation to do an act by a specified time AWST must be done at the corresponding time in any other time zone.

1. Summary of the Scheme

1.1 Introduction

This summary identifies key features of the Scheme but must be read in conjunction with the additional detailed information for Atlantic's Shareholders set out in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

On 8 April 2016, Atlantic announced that it had entered into the Scheme Implementation Deed with Droxford under which, Atlantic agreed to propose the Scheme to Atlantic Shareholders.

A copy of the Scheme Implementation Deed is set out in Annexure 2 and a summary of the Scheme Implementation Deed is set out in Section 9.

1.2 Effect of the Scheme

If the Scheme is approved by the Requisite Majority of Atlantic Shareholders and by the Court, and if all other conditions to the Scheme are satisfied or waived (where applicable), all Atlantic Shares will be transferred to Droxford with effect from the Implementation Date without the need for any further act by the Atlantic Shareholders (other than acts required to be performed by Atlantic, its directors or officers, as attorney or agent for the Atlantic Shareholders) and Scheme Participants will receive the Scheme Consideration of A\$0.003 per Scheme Share. From the Implementation Date, Atlantic will become a wholly-owned Subsidiary of Droxford. Atlantic Shares are expected to be delisted from ASX shortly after the Implementation Date. A copy of the Scheme is set out in Annexure 3.

1.3 What you will receive

If the Court makes an order approving the Scheme and the Scheme is implemented, Scheme Participants will receive a cash payment of \$0.003 per Scheme Share. Further details about the Scheme Consideration are set out in Section 3.

1.4 Implementation, timetable and procedures

If the Scheme is approved by Atlantic Shareholders and the Court, and all other conditions to the Transaction are satisfied or waived (where applicable), it is expected that the Scheme will be implemented on or around 20 September 2016. The key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet. These key dates are indicative only and are subject to change.

1.5 Conditions to the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are set out in

Section 9.2. A description of all of the conditions to the Scheme is included in the Scheme Implementation Deed set out in Annexure 2.

1.6 Scheme Meeting

The Scheme Meeting, to approve the Scheme and the Financial Assistance Resolution, is scheduled to be held at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia on 24 August 2016 at 11:30am (AWST). Voting eligibility for the Scheme Meeting will be determined on 22 August 2016 at 11:30am (AWST).

Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 5.

1.7 Scheme approval requirement

The Scheme Resolution must be approved by the Requisite Majority, being:

- unless the Court orders otherwise, a majority in number (more than 50%) of Atlantic Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and
- at least 75% of the total number of votes which are cast on the Scheme Resolution.

The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.

1.8 Court approval requirement

If the Scheme Resolution is approved at the Scheme Meeting, and all other conditions of the Scheme (except for Court approval of the Scheme) have been satisfied or waived (where applicable), the Court will be asked to approve the Scheme on the Second Court Date. The Second Court Date is expected to be on or around 5 September 2016.

1.9 Effective Date

If the Court approves the Scheme and all other conditions have been waived, where capable of waiver, the Scheme will become Effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. Atlantic will, on the Scheme becoming Effective, give notice of that event to ASX.

1.10 Record Date

Those Atlantic Shareholders on the Register on the Record Date will be entitled to receive the Scheme

Consideration in respect of the Atlantic Shares they hold as at the Record Date.

1.11 Implementation Date

The Implementation Date is the fifth Business Day after the Record Date.

At least two Business Days before the Implementation Date, Droxford must pay, or procure the payment, into an Australian dollar denominated trust account operated by or on behalf of Atlantic the aggregate Scheme Consideration payable to Scheme Participants. Subject to approval of the Financial Assistance Resolution, Droxford will discharge this payment obligation by directing Atlantic to pay the Financial Assistance Amount into this trust account.

Within five Business Days of the Implementation Date, Atlantic will pay the Scheme Consideration received from Droxford to Scheme Participants.

Immediately after the Scheme Consideration is sent to Scheme Participants, the Scheme Shares will be transferred to Droxford without Scheme Participants needing to take any further action.

1.12 Deed Poll

Droxford has executed the Deed Poll pursuant to which Droxford has undertaken in favour of each Scheme Participant to provide each Scheme Participant with the Scheme Consideration to which they are entitled under the Scheme, subject to the Scheme becoming Effective. A copy of the Deed Poll is set out in Annexure 4.

1.13 Payment of Scheme Consideration

Within five Business Days of the Implementation Date, payment of the Scheme Consideration will be made either by sending (or procuring the Atlantic Registry to send) a cheque to your registered address, or by deposit into your nominated bank account, as advised by you to the Atlantic Registry.

1.14 If the Scheme does not become Effective

If the Scheme does not proceed, Atlantic Shareholders will continue to hold their Atlantic Shares.

In the absence of any alternative or competing proposal to the Scheme, Atlantic will continue as a stand-alone entity. Atlantic Shareholders will be exposed to the risks relating to Atlantic's business, as set out in Section 7.

In particular, it should be noted that Droxford has indicated to the Atlantic Board that Droxford does not intend to further extend the Forbearance Period (which expires on the earliest to occur of the Scheme Implementation Deed terminating in accordance with its terms, 30 Business Days after the Effective Date or

where the Independent Director recommends a Competing Proposal and does not, within 3 Business Days, reinstate his recommendation of the Scheme) and intends to pursue recovery of the amounts owing under the Convertible Bonds and Promissory Notes if the Scheme does not proceed.

As Atlantic will not be in a position to repay the debt owed to Droxford in the foreseeable future, following discussions with Atlantic and consideration of the various options available to both parties, Droxford has put forward the Scheme proposal as a compromise to pursuing its rights in relation to the debt (which would result in a similar commercial outcome for Droxford without any benefit to Atlantic Shareholders) and as a gesture of good faith to Atlantic Shareholders.

1.15 Independent Director's recommendation and voting intentions

The Independent Director recommends that you vote in favour of the Scheme Resolution and Financial Assistance Resolution required to implement the Scheme, in the absence of a superior proposal.

The Independent Director intends to vote all the Atlantic Shares held or controlled by him in favour of the Scheme Resolution and Financial Assistance Resolution.

The Independent Director believes that the reasons for you to vote in favour of the Scheme Resolution and the Financial Assistance Resolution required to implement the Scheme outweigh the reasons to vote against those resolutions. These reasons and other relevant considerations for Atlantic Shareholders are set out in Section 2.

Each Excluded Director was nominated to the Atlantic Board by, or otherwise has connections with, Droxford. For this reason, each Excluded Director does not consider it appropriate for him to make a recommendation to Atlantic Shareholders in relation to the Financial Assistance Resolution and the Scheme.

The interests of the Independent Director and the Excluded Directors are set out in Section 10.2.

If a Competing Proposal emerges, this will be announced to ASX and the Independent Director will carefully consider whether it is a superior proposal and advise you of his recommendation.

1.16 Independent Expert's conclusions

The Independent Director commissioned Deloitte Corporate Finance Pty Limited to prepare the Independent Expert's Report on whether the Scheme is in the best interests of Atlantic Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of Atlantic Shareholders, in the absence of a superior proposal.

The basis for this conclusion is that the Scheme Consideration of \$0.003 per Atlantic Share exceeds the valuation range (as concluded by the Independent Expert) of negative \$2.15 to negative \$2.02 per Atlantic Share.

The Independent Expert's Report is set out in full in Annexure 1. The Independent Director encourages you to read this report in full before deciding how to vote on the Scheme.

1.17 Funding of the Scheme Consideration

As noted above, if the Scheme becomes Effective, Scheme Participants will receive a cash payment of \$0.003 per Atlantic Share.

Atlantic will finance the Scheme Consideration through the payment by Atlantic to Droxford of an amount equal to the Financial Assistance Amount owing but unpaid to Droxford under the terms of the Convertible Bonds. Further details regarding the Financial Assistance is set out in Sections 9.5 to 9.8.

Under the Scheme Implementation Deed, subject to (among other things) the Scheme becoming Effective and the Financial Assistance Resolution being passed by the requisite majority, two Business Days before the Implementation Date, Atlantic is required to pay the Financial Assistance Amount into an Australian dollar denominated trust account operated by or on behalf of Atlantic to form the Scheme Consideration to be held on trust for the Scheme Participants.

1.18 Tax implications

Australian tax implications for Atlantic Shareholders are set out in Section 8. This Section is expressed in general terms only and Atlantic Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

1.19 Warranties by Atlantic Shareholders

The Scheme provides that each Scheme Participant is deemed to have warranted to Atlantic and Droxford on the Implementation Date, and to have appointed and authorised Atlantic as its agent and attorney to warrant to Droxford on the Implementation Date, that all their Atlantic Shares (including any rights and entitlements attaching to those shares) will, as at the time of the transfer to Droxford, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that they have full power and capacity to transfer their Atlantic Shares (including any rights and entitlements attaching to those shares) to Droxford under the Scheme.

1.20 Delisting of Atlantic

On a date after the Implementation Date to be determined by Droxford, Atlantic will apply:

- for termination of the official quotation of Atlantic Shares on ASX; and
- to have itself removed from the official list of ASX.

1.21 Questions

If, after reading this Scheme Booklet, you have any questions regarding the Scheme, please contact Company Secretary Tony Veitch on +61 8 6141 7100, between 8:30 am and 5:30 pm AWST, Monday to Friday.

2. Reasons to vote in favour of or against the Scheme and the Financial Assistance Resolution

Set out below are reasons why the Independent Director recommends that you vote in favour of the Scheme and the Financial Assistance Resolution. Also set out below is a summary of some of the reasons why you may decide to vote against the Scheme and the Financial Assistance Resolution. You should read the entire Scheme Booklet before deciding whether or not to vote in favour of the Scheme and the Financial Assistance Resolution.

While the Independent Director acknowledges that there are reasons to vote against the Scheme and the Financial Assistance Resolution, he believes the advantages of the Scheme significantly outweigh the disadvantages.

2.1 Reasons to vote in favour of the Scheme and the Financial Assistance Resolution

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| The Independent Director recommends the Scheme and the Financial Assistance Resolution | The Independent Director recommends that you vote in favour of the Scheme and the Financial Assistance Resolution, in the absence of a superior proposal. In reaching his recommendation, the Independent Director has had regard to reasons to approve, or not to approve, the Scheme and the Financial Assistance Resolution as outlined in this Section 2. |
| The Independent Expert has concluded that the Scheme is in the best interests of Atlantic Shareholders in the absence of a superior proposal | <p>The Independent Expert has concluded that the Scheme is in the best interests of Atlantic's Shareholders, in the absence of a superior proposal.</p> <p>The basis for this conclusion is that the Scheme Consideration of \$0.003 per Atlantic Share exceeds the valuation range (as concluded by the Independent Expert) of negative \$2.15 to negative \$2.02 per Atlantic Share.</p> <p>The Independent Expert's Report is set out in Annexure 1.</p> |
| No superior proposal has emerged or is likely to emerge | Since announcement of the Scheme on 8 April 2016, and up to the date of this Scheme Booklet, no superior proposal has emerged and the Independent Director is not aware of any superior proposal that is likely to emerge. |
| The Scheme Consideration is all cash and provides certainty of value and timing to Atlantic Shareholders | <p>The cash payment of A\$0.003 per Atlantic Share to be paid to Atlantic Shareholders provides certainty of value and timing in relation to realising an investment in Atlantic Shares.</p> <p>If the Scheme does not proceed, Atlantic Shareholders will continue to be subject to the risks associated with Atlantic's business and operations, which are set out in Section 7.2, rather than realising a certain value for their Atlantic Shares under the Scheme immediately. In particular, Atlantic will be exposed to the repayment risks relating to the Convertible Bonds and Promissory Notes in respect of which Droxford has agreed to forbear from enforcing its rights in respect of Atlantic's default for the Forbearance Period (which expires on the earliest to occur of the Scheme Implementation Deed terminating in accordance with its terms, 30 Business Days after the Effective Date or where the Independent Director recommends a Competing Proposal and does not, within 3 Business Days, reinstate his recommendation of the Scheme). In this respect, Droxford has indicated to the Atlantic Board that it does not intend to further extend the Forbearance Period and, on expiry of the Forbearance Period, intends to pursue recovery of the amounts owing under the Convertible Bonds and Promissory Notes if the Scheme does not proceed. This could include the requirement for the appointment of an external administrator.</p> |
| The Scheme represents the best available outcome from the restructuring review process | Atlantic has been endeavouring to effect a solvent restructuring of Atlantic since February 2015, and has held extensive discussions with Droxford regarding the alternatives available given the significant debt of \$332.5 million (as at 31 March 2016) owing from Atlantic to Droxford under the Convertible Bonds and Promissory Notes. It is clear that Atlantic will not be in a position to repay the Droxford debts in the foreseeable future and as a result, a consensual |

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| | <p>recapitalisation of Atlantic's balance sheet is required if Atlantic is to avoid insolvency. Following discussions with Droxford and consideration of the various options available, Droxford has put forward the Scheme proposal as a compromise to pursuing its rights in relation to the debt and as a gesture of good faith to Atlantic Shareholders. On this basis, the Independent Director recommends the proposal by Droxford and this Scheme as representing the best available alternative for Atlantic Shareholders.</p> <p>If the Scheme does not proceed, there is no guarantee that Atlantic will be in a position to continue as a stand-alone entity. In this respect, Droxford has indicated to the Atlantic Board that it intends to pursue recovery of the amounts owing in respect of the Convertible Bonds and Promissory Notes if the Scheme does not proceed.</p> |
| Significant risk associated with Atlantic's continuing business and operations if the Scheme is not implemented | <p>In light of the existing default under the Convertible Bonds and the Promissory Notes and the expiry of the Forbearance Period (which expires on the earliest to occur of the Scheme Implementation Deed terminating in accordance with its terms, 30 Business Days after the Effective Date or where the Independent Director recommends a Competing Proposal and does not, within three Business Days, reinstate his recommendation of the Scheme), if the Scheme is not implemented and a superior proposal or an alternative source of financing is not completed by such date, there is a significant risk concerning Atlantic's ability to continue as a going concern. The consequences of this will be significant and could include the requirement for the Board of Atlantic to appoint an external administrator. This is likely to result in an inferior outcome for Atlantic Shareholders.</p> |

2.2 Reasons to vote against the Scheme and the Financial Assistance Resolution

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| You may disagree with the Independent Director's recommendation or the Independent Expert's conclusion | <p>In concluding that the Scheme is in the best interests of Atlantic Shareholders, in the absence of a superior proposal, the Independent Director and Independent Expert are making judgments based on future events which are not predictable with certainty and which may prove to be incorrect (either positively or negatively).</p> <p>Atlantic Shareholders may not agree with the Independent Director's recommendation or the Independent Expert's conclusion and are not obliged to follow the recommendation.</p> |
| You may prefer to participate in the future financial performance of the Atlantic business | <p>If the Scheme is implemented, you will no longer be an Atlantic Shareholder. This will mean that you will not participate in the future performance of Atlantic, including any benefits that may result from being an Atlantic Shareholder. This will mean that Atlantic Shareholders will not retain any exposure to Atlantic's assets, including the recently re-acquired Windimurra project assets (see Section 5.5), the settled insurance claim and the potential insurance claim (see Section 5.7), or have the potential to share in the value that could be generated by Atlantic in the future.</p> |
| The tax consequences of the Scheme may not suit your financial position | <p>Implementation of the Scheme may trigger taxation consequences for Atlantic Shareholders. A general guide to the taxation implications of the Scheme is set out in Section 8. This guide is expressed in general terms only and Atlantic Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.</p> |
| You may consider that there is potential for a superior proposal to emerge | <p>It is possible that a more attractive proposal for Atlantic Shareholders could materialise in the future, such as a takeover bid with a higher offer price than the Scheme Consideration. However, as at the date of this Scheme Booklet, the Independent Director has not received or become aware of any superior</p> |

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| | proposal and has no basis for believing that a superior proposal will be received. |
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3. Frequently Asked Questions

The following table provides brief answers to questions you may have in relation to the Scheme and the Financial Assistance Resolution, and you are urged to read these in conjunction with the more detailed information included in this Scheme Booklet.

| Questions | Answers |
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| Why have I received this Scheme Booklet? | <p>You have been sent this Scheme Booklet because you are an Atlantic Shareholder.</p> <p>The purpose of this Scheme Booklet is to explain the terms of the proposed Scheme, and provide you with information to assist you in making a decision as to whether or not to vote in favour of the Scheme Resolution and Financial Assistance Resolution required to implement the Scheme.</p> |
| What is the Scheme Meeting? | <p>The Scheme Meeting is the meeting of Atlantic Shareholders at which Atlantic Shareholders will vote on the Scheme. At the Scheme Meeting, Atlantic Shareholders will also vote on the Financial Assistance Resolution.</p> <p>Further details about the Scheme Meeting are set out in Section 4.</p> |
| What is the Scheme? | <p>The Scheme is a proposed acquisition of Atlantic to be implemented by way of a scheme of arrangement between Atlantic and the Atlantic Shareholders as at the Record Date under which all of the Atlantic Shares not already owned by Droxford will be transferred to Droxford in consideration for the payment of the Scheme Consideration.</p> <p>The Scheme is a statutory process that is commonly used to enable one entity to acquire another. The Scheme requires the approval of both the Requisite Majority of Atlantic Shareholders at the Scheme Meeting and the Court.</p> <p>The terms of the Scheme are set out in full in Annexure 3.</p> |
| What is the Financial Assistance Resolution? | <p>The Financial Assistance Resolution is a resolution to be put to Atlantic Shareholders at the Scheme Meeting under sections 260A(1)(b) and 260B of the Corporations Act, to approve the payment of an amount equal to the Financial Assistance Amount by Atlantic to Droxford to finance payment by Droxford of the Scheme Consideration.</p> |
| Why is the Financial Assistance Resolution Needed? | <p>As at 31 March 2016, Atlantic owes Droxford \$332.5 million under the Convertible Bonds and the Promissory Notes (including accrued interest). It is proposed that Atlantic provide the Financial Assistance Amount to Droxford in partial payment of interest owing. Droxford intends to use this amount to finance the Scheme Consideration. This use of funds provided by Atlantic (notwithstanding that the Financial Assistance Amount is due and payable by Atlantic to Droxford under the Convertible Bonds and Promissory Notes) constitutes "financial assistance" under the Corporations Act. The Atlantic Board considers that the provision of that "financial assistance" requires shareholder approval.</p> |
| Are the Scheme Resolution and the Financial Assistance Resolution conditional on each | <p>Yes. The Scheme is conditional on the passage of the Financial Assistance Resolution. The payment contemplated by the Financial Assistance Resolution</p> |

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| other? | will occur prior to the dispatch of the Scheme Consideration. |
| What is the Scheme Consideration? | The Scheme Consideration proposed is cash consideration of A\$0.003 per Atlantic Share. If the Scheme proceeds, the Scheme Consideration will be sent to you on or around the Implementation Date, and in any event within five Business Days of the Implementation Date. |
| What will be the effect of the Scheme? | <p>If the Scheme is approved by the Requisite Majority of Atlantic Shareholders and the Court:</p> <ul style="list-style-type: none"> all your Atlantic Shares as at the Record Date will be transferred to Droxford; in exchange, you will receive the Scheme Consideration for each Atlantic Share transferred; and Atlantic will become a wholly-owned Subsidiary of Droxford and will be delisted from ASX. |
| Are there conditions that need to be satisfied before the Scheme can proceed? | <p>Implementation of the Scheme is subject to satisfaction (or waiver in some cases) of a number of conditions contained in the Scheme Implementation Deed, set out in Section 9.2 and Annexure 2.</p> <p>A number of those conditions remain outstanding as at the date of this Scheme Booklet, as described in Section 9, some of which are outside of the control of Atlantic.</p> |
| When do the conditions have to be satisfied by? | <p>Apart from the conditions relating to FIRB approval (which have already been satisfied) and court approval, the conditions must be satisfied before 8:00 am on the Second Court Date.</p> <p>The conditions must be satisfied or waived (where capable of waiver) by the End Date. The End Date is 30 September 2016, unless Atlantic and Droxford agree to extend this date. If the relevant conditions are not satisfied by the End Date, the Scheme will not be implemented.</p> |
| What is the Independent Director's recommendation? | The Independent Director has carefully considered the advantages and disadvantages of the Scheme and the Financial Assistance Resolution and recommends that you vote in favour of the Scheme and the Financial Assistance Resolution, in the absence of a superior proposal. |
| To what extent have the Excluded Directors been involved with the Scheme proposal? | <p>Each of the Excluded Directors were nominated to the Atlantic Board by, or otherwise have connections with, Droxford. Accordingly, the Atlantic Board appointed the Independent Director to consider and respond to Droxford's Scheme proposal. Consistent with participating insider protocols and existing conflicts protocols adopted by the Atlantic Board, no Excluded Director was involved in Atlantic's assessment of the Scheme proposal.</p> <p>References in this Scheme Booklet to recommendations made by the Independent Director do not include any recommendation by any Excluded Director as they do not consider themselves justified in doing so due to their conflict of interest. No Excluded Director has been asked to provide their consent and has not consented to the issue of this Scheme Booklet in their capacity as a Director of Atlantic and they are not responsible for any information included in this Scheme Booklet for which Atlantic is responsible as set out in the "Important Notices" Section of this Scheme Booklet.</p> |
| How does the Independent Director intend to vote in | The Independent Director will (in the absence of a superior proposal) vote, or procure the voting of any Atlantic Shares held by or on his behalf at the time of |

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| respect of his own Atlantic Shares? | the Scheme Meeting in favour of the Scheme Resolution and the Financial Assistance Resolution. |
| What is the Independent Expert's conclusion? | The Independent Expert has concluded that the Scheme is in the best interests of Atlantic Shareholders, in the absence of a superior proposal. The Independent Expert's Report is set out in Annexure 1. |
| When and where will the Scheme Meeting be held? | The Scheme Meeting will be held on 24 August 2016 at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia commencing at 11:30am (AWST). The Notice of Scheme Meeting set out in Annexure 5 sets out further details of the Scheme Meeting. |
| What are the reasons to vote in favour of the Scheme ? | The reasons why Atlantic Shareholders should vote in favour of the Scheme are described in Section 2.1. |
| What are the reasons to vote in favour of the Financial Assistance Resolution? | The Financial Assistance Resolution must be passed by Atlantic Shareholders in order for the Scheme to proceed. If you are in favour of the Scheme and wish to receive the Scheme Consideration, you should vote in favour of the Financial Assistance Resolution (as well as the Scheme). |
| What are the reasons to vote against the Scheme and the Financial Assistance Resolution? | The reasons why you may decide to vote against the Scheme and the Financial Assistance Resolution are described in Section 2.2. |
| What vote is required to approve the Scheme? | For the Scheme to proceed, the Scheme Resolution must be passed by: <ul style="list-style-type: none"> • a majority in number of Atlantic Shareholders who vote on the Scheme Resolution; and • at least 75% of the votes cast on the Scheme Resolution. The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so. |
| What vote is required to approve the Financial Assistance Resolution? | For the Financial Assistance Amount to be provided by Atlantic to assist Droxford in financing the Scheme Consideration, the Financial Assistance Resolution must be passed by at least 75% of the votes cast on the Financial Assistance Resolution, with no votes cast in favour of the Financial Assistance Resolution by Droxford or its Associates. The Financial Assistance Resolution is in addition to the Shareholder Resolution to approve the Scheme. |
| Am I entitled to vote at the Scheme Meeting? | Each Atlantic Shareholder who is registered on the Atlantic Register at 11:30am (AWST) on 22 August 2016 is entitled to attend and vote at the Scheme Meeting. |
| If I wish to support the Scheme, what should I do? | If you are an Atlantic Shareholder and wish to support the Scheme you should vote your Atlantic Shares in favour of the Scheme Resolution and the Financial Assistance Resolution at the Scheme Meeting either in person or by proxy. See Section 4 for directions on how to vote and important voting information generally. |
| What happens if I decide to | If, despite the Independent Director's recommendation and the conclusions of the Independent Expert, you do not support the Scheme, you may vote against |

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| vote against the Scheme? | the Scheme Resolution and the Financial Assistance Resolution at the Scheme Meeting. |
| What happens to my Atlantic Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes effective? | If the Scheme is approved by the Requisite Majority of Atlantic Shareholders and by the Court, and all other conditions to the Scheme are satisfied or waived (where applicable), your Atlantic Shares will be transferred to Droxford in consideration for you receiving the Scheme Consideration for your Atlantic Shares. This will occur even if you voted against the Scheme Resolution and the Financial Assistance Resolution at the Scheme Meeting. |
| How do I vote if I am not able to attend the Scheme Meeting? | If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy or attorney to attend and vote on your behalf. |
| When will the result of the Scheme Meeting be known? | The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to ASX once available. Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme is subject to approval of the Court. |
| How will the Transaction be implemented? | If the Scheme becomes Effective, no further action is required on the part of the Scheme Participants in order to implement the Scheme. Under the Scheme, Atlantic is given authority to effect a valid transfer of all Atlantic Shares to Droxford and to enter the name of Droxford in the Register as holder of all Atlantic Shares. If the Scheme becomes Effective, each Scheme Participant will receive the Scheme Consideration for each Atlantic Share they hold as at the Record Date and Atlantic will become a wholly-owned subsidiary of Droxford and will be delisted from ASX. |
| When will I be paid the Scheme Consideration? | If the Scheme is implemented, you will be sent your Scheme Consideration on or around the Implementation Date, and in any event within 5 Business Days of the Implementation Date, which is expected to be on 20 September 2016. |
| How will I be paid the Scheme Consideration? | Payments will be made either by sending (or procuring the Atlantic Registry to send) a cheque to your registered address, or by deposit into your nominated bank account, as advised by you to the Atlantic Registry. |
| What happens if the Scheme is not approved? | <p>If the Scheme is not approved by the Requisite Majority of Atlantic Shareholders or the Court, the Scheme will not be implemented and you will remain an Atlantic Shareholder.</p> <p>In these circumstances, Droxford has indicated its intention to pursue recovery of the amounts owing under the Convertible Bonds and Promissory Notes. The consequences of this will be significant and could include the requirement for the Board of Atlantic to appoint an external administrator. As a result, Atlantic Shareholders will not realise a certain value for their Atlantic Shares, which they otherwise would have in the event the Scheme becomes Effective.</p> <p>The consequences of the Scheme not being implemented are described in further detail in Section 2.1.</p> |
| Is a superior proposal likely? What happens if a superior proposal emerges? | <p>As at the date of this Scheme Booklet, no superior proposal for Atlantic has emerged.</p> <p>It is possible that, if Atlantic were to continue as an independent company, a superior proposal for Atlantic may materialise in the future. However, Atlantic believes that if the Scheme is not implemented, there is a significant risk that Droxford will pursue recovery of amounts owing under the Convertible Bonds</p> |

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| | <p>and Promissory Notes and as a result, the Board of Atlantic would be required to appoint an external administrator to Atlantic. This result means that the chance of a superior proposal is remote.</p> <p>Until the Effective Date (if the Scheme is approved by the Requisite Majority of Atlantic Shareholders and the Court) or the End Date (whichever occurs earlier), there is nothing preventing other parties from making unsolicited Competing Proposals for Atlantic.</p> |
| What are the tax implications of the Scheme? | <p>Your receipt of cash under the Scheme will typically be a taxable transaction. Section 8 provides a description of the general Australian tax consequences of the Scheme. Your tax consequences will depend on your particular situation. You should consult your own tax adviser for a full understanding of the applicable tax consequences to you resulting from the Scheme.</p> <p>If you are unsure, you should seek professional tax advice as soon as possible.</p> |
| Will I have to pay brokerage fees on the disposal of my Atlantic Shares? | <p>Scheme Participants will not incur any brokerage fees or other costs on the transfer of their Atlantic Shares under the Scheme.</p> |
| Can I sell my Atlantic Shares now? | <p>You can sell your Atlantic Shares off-market at any time up to and including the Effective Date. However, as the trading of Atlantic Shares on ASX is suspended, you will not be able to sell your Atlantic Shares on market.</p> |
| What will happen to the Shares issued under the Executive Share Incentive Plan and the Employee Loyalty and Alignment Share Plan? | <p>Atlantic Shares are currently held by Atlantic Incentive Plan Pty Ltd (under the loan funded Executive Share Incentive Plan) and by Trinity Management Pty Ltd (under the loan funded Employee Loyalty and Alignment Share Plan) on trust for the benefit of participants under the Executive Share Incentive Plan and Employee Loyalty and Alignment Share Plan respectively.</p> <p>In the event the participant repays the loan and procures the transfer of the Atlantic Shares prior to the Record Date from Atlantic Incentive Plan Pty Ltd or Trinity Management Pty Ltd (as the case may be), they will be entitled to participate in the Scheme.</p> <p>Otherwise, the loans will be repaid via the application of the Scheme Consideration following the transfer of the Atlantic Shares under the Scheme, with any shortfall to be borne by Atlantic.</p> <p>See Section 10.5 for further information.</p> |
| What do the Convertible Bonds and Promissory Notes mean for Atlantic? | <p>As at 31 March 2016, Atlantic owes Droxford \$332.5 million under the Convertible Bonds and the Promissory Notes (including accrued interest).</p> <p>The risks and potential consequences under the Convertible Bonds and the Promissory Notes in the event the Scheme is not implemented are described in Section 2.1.</p> <p>In particular, if the Scheme is not implemented, Droxford has indicated to the Atlantic Board that it intends to pursue recovery of the amounts owing under the Convertible Bonds and Promissory Notes, and this could result in the Atlantic Board being required to appoint an external administrator to Atlantic.</p> |
| Can further Atlantic Shares be issued under the Convertible Bonds? | <p>No. Droxford does not have the right to convert the Convertible Bonds into Atlantic Shares.</p> <p>See Section 10.6 for further information.</p> |

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| Who is Droxford? | Droxford is the largest creditor and shareholder of Atlantic with a portfolio of mining and other investments in Australia. See Section 6 for further information on Droxford. |
| Why does Droxford wish to implement the Scheme? | Droxford believes that the Scheme is a sensible compromise to pursuing its rights in relation to the debt owed by Atlantic to it and has put forward the Scheme as a gesture of good faith to Atlantic Shareholders. |
| Where can I get further information? | For further information, please contact Company Secretary Tony Veitch on +61 8 6141 7100, between 8:30 am and 5:30 pm AWST, Monday to Friday. |

4. Voting information

This Section contains information relating to voting entitlements and information on how to vote at the Scheme Meeting for Atlantic Shareholders.

4.1 Scheme Meeting

The Scheme Meeting to approve the Scheme and the Financial Assistance Resolution is scheduled to be held at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia on 24 August 2016 at 11:30am (AWST).

The Scheme Resolution and Financial Assistance Resolution is set out in the Notice of Scheme Meeting in Annexure 5.

4.2 Entitlement and ability to vote at the Scheme Meeting

If you are an Atlantic Shareholder as at 11:30am (AWST) on 22 August 2016, you will be entitled to attend and vote on the Scheme Resolution and the Financial Assistance Resolution at the Scheme Meeting in person, by proxy, by attorney or, in the case of a corporation which is an Atlantic Shareholder, by its representative appointed in accordance with the Corporations Act.

Information on voting entitlements, including if you are a joint holder of Atlantic Shares, is contained in the Notice of Scheme Meeting, which is set out in Annexure 5.

4.3 Voting Process

If you are an Atlantic Shareholder, you may vote on the Scheme and the Financial Assistance Resolution by attending the Scheme Meeting in person, by proxy, by attorney or, in the case of a corporation which is an Atlantic Shareholder, by corporate representative.

Information on the voting process for each of these methods is contained in the Notice of Scheme Meeting set out in Annexure 5.

Further information on the shareholder approval required in respect of the Scheme is set out in Section 1.7 and in respect of the Financial Assistance Resolution in Section 9.7(b).

5. Information about Atlantic

5.1 Overview of Atlantic

Atlantic was incorporated in Australia on 15 January 1987, and listed on ASX in June 1987 (ASX: ATI). In October 2009, the company announced that it would adopt a new strategic direction, and in September 2010, completed the acquisition of MVPL and consequently, the Windimurra vanadium and iron ore project (**Windimurra**), located approximately 600 kilometres north of Perth in Western Australia, which was owned by MVPL.

On 4 February 2014, there was a substantial fire in the beneficiation plant at Windimurra. Fortunately, there were no injuries sustained as a result of the fire, however production of vanadium ceased immediately and trading of Atlantic Shares on ASX was suspended. Following investigations, it was confirmed that the fire started during maintenance works on a screen in the beneficiation plant and the damage to the beneficiation plant was extensive, requiring the demolition of the plant to its foundations and a complete rebuild.

Atlantic and MVPL held comprehensive industrial special risks insurance that covered both the material damage to the beneficiation plant and the resulting business interruption.

Following the fire, MVPL defaulted on its obligations under the indenture governing the senior secured notes issued by MVPL. As a result, Atlantic, MVPL, the Notes Group and Droxford entered into discussions regarding a consensual restructuring of MVPL.

Despite extensive discussions, Atlantic and MVPL were ultimately unable to agree and implement a solvent restructuring of MVPL with the Notes Group. As a consequence, the director of AVHPL and MVPL appointed Joint and Several Administrators to MVPL and AVHPL on 11 February 2015 and Receivers and Managers were appointed to MVPL and AVHPL on 12 February 2015. Following these appointments, Atlantic continued to trade as it had sufficient cash to meet its on-going commitments and it was granted a forbearance agreement from Droxford in relation to the Convertible Bonds and Promissory Notes due for repayment.

Atlantic's forbearance agreement with Droxford initially expired on 6 October 2015. However, the Forbearance Period was extended under the Second Forbearance Letter until 6 April 2016 and subsequently extended under the terms of the Scheme Implementation Deed until the earliest to occur of the Scheme Implementation Deed terminating in accordance with its terms, 30 Business Days after the Effective Date or where the Independent Director recommends a Competing Proposal and does not, within three Business Days reinstate his recommendation of the Scheme.

In addition to the information about Atlantic contained in this Section, the Independent Expert's Report in Annexure 1 contains further detailed information on Atlantic.

5.2 Capital structure and ownership

As at the date of this Scheme Booklet, the capital structure of Atlantic is as follows:

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| Number of Atlantic Shares*: | 154,757,405 |
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*Class A and Class B Convertible Bonds are no longer convertible, and Class C and Class D Convertible Bonds are not convertible into Atlantic Shares. Consequently, they have not been included above.

5.3 Atlantic Board and senior management personnel

The Atlantic Board comprises the following Directors:

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|------------------------|------------------------|
| Phiong Phillipus Darma | Non-Executive Director |
| Bradley James Ellis | Non-Executive Director |
| Dr Michael John Daniel | Non-Executive Director |

Members of Atlantic's senior management team, include:

| | |
|----------------|--------------------------|
| Scott Nicholas | Chief Financial Officer |
| Tony Veitch | Chief Commercial Officer |
| Terry Bourke | General Counsel |

5.4 Independent Director's intentions

The Corporations Regulations require a statement by the Directors of their intentions regarding Atlantic's business.

If the Scheme is implemented, the Atlantic Board will be reconstituted as determined by Droxford. It is for the reconstituted Atlantic Board to determine its intentions as to:

- the continuation of the Atlantic business;
- any major changes, if any, to be made to the Atlantic business; and
- the future employment of the present employees of Atlantic.

If the Scheme is implemented, Droxford will have 100% ownership and control of Atlantic. The current intentions of Droxford in respect of these matters are set out in Section 6.

If the Scheme is not implemented, the Directors intend to immediately engage with Droxford to seek a further forbearance of its debts due to Droxford. However, Droxford has indicated to the Atlantic Board that it does not intend to extend the Forbearance Period and as a result the Atlantic Board would likely be required to appoint an external administrator.

5.5 Loss of control over, and re-acquisition of, Windimurra vanadium and iron ore project

As noted above, Atlantic lost control of its wholly-owned subsidiaries that owned the Windimurra project in February 2015 following the appointment of Joint and Several Administrators and Receivers and Managers to both MVPL and AVHPL.

For a detailed history of Atlantic's funding arrangements in respect of, and subsequent loss of control of, Windimurra, please see Atlantic's 2015 Annual Report, which is available from the ASX website at www.asx.com.au.

On 2 February 2016, Atlantic announced that it had made a proposal to re-acquire the Windimurra project with the support of Droxford. The proposal involved (among other things) the entry into the DOCA and an agreement under which Atlantic Vanadium, a newly incorporated wholly-owned subsidiary of Atlantic, would acquire the Windimurra project assets.

In exchange for the transfer of the Windimurra project assets, Atlantic agreed to pay \$250,000 to be distributed to the Administrators and unsecured creditors of AVHP and MVPL in accordance with the terms of the DOCA. Atlantic completed the re-acquisition of the Windimurra project assets on 26 May 2016.

5.6 Debt owed by Atlantic to Droxford

On 6 May 2015, Atlantic announced that it had entered into a forbearance agreement with Droxford, its largest creditor, whereby Droxford agreed to forbear and not take any action to accelerate enforcement of the debts under any of the Convertible Bonds or Promissory Notes until 6 October 2015, subject to certain conditions including that there are no further defaults by Atlantic under those finance documents.

In consideration for this forbearance, Atlantic agreed to pay a total of \$2.26 million to Droxford in part payment of outstanding Convertible Bond interest and also provided for the repayment of Atlantic's unrelated third party debt plus accrued interest of \$0.72 million. This left Droxford as the sole creditor of Atlantic (under the Convertible Bonds and Promissory Notes). The forbearance arrangement was extended by Droxford under the Second Forbearance Letter on 3 October 2015 and further extended under the Scheme Implementation Deed until the earliest to occur of the Scheme Implementation Deed terminating in accordance with its terms, 30 Business Days after the Effective Date

or where the Independent Director recommends a Competing Proposal and does not, within three Business Days, reinstate his recommendation of the Scheme.

As at 31 March 2016, an amount of \$332.5 million (including accrued interest) is owed by Atlantic to Droxford.

5.7 Insurance

In 2014, a fire destroyed a substantial part of the beneficiation plant at Windimurra, resulting in a cessation of business operations. Atlantic and MVPL held comprehensive industrial special risks insurance that covered both the material damage to the beneficiation plant and the resulting business interruption.

MVPL submitted an insurance claim for the material damage to the beneficiation plant and both Atlantic and MVPL also submitted a claim for business interruption.

On 19 April 2016, Atlantic announced that it had entered into a settlement deed with 77.5% of the insurer group for a final settlement payment of \$15.9 million. Following receipt of this amount, Atlantic has received \$39.85 million in total on account of its business interruption claim.

Discussions with the remaining 22.5% of the insurer group regarding settlement are still on-going as at the date of this Scheme Booklet.

5.8 Material changes to Atlantic's financial position

Other than as disclosed to ASX (including in the company's half year report for the six months ended 31 December 2015, which is available from the ASX website at www.asx.com.au) or as set out in this Scheme Booklet, the financial position of Atlantic has not materially changed since 31 December 2015.

5.9 Risks

See Section 7 for risks associated with Atlantic.

5.10 Publicly available information

As a disclosing entity under the Corporations Act, Atlantic is subject to regular reporting and disclosure obligations. Broadly, these require Atlantic to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

Copies of documents given by Atlantic to ASIC under the Corporations Act may be obtained from, or inspected at, any office of ASIC. All annual and half-yearly financial reports and announcements and other publicly disclosed information made under continuous disclosure are lodged with ASX, and can be viewed and downloaded at www.asx.com.au. Atlantic Shareholders can also find further information on Atlantic's website at www.atlanticltd.com.au.

6. Information about Droxford

The Droxford Information, including the information in this section of the Scheme Booklet, has been prepared and provided by Droxford and is the responsibility of Droxford. None of Atlantic, its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Droxford Information in this section.

6.1 Overview of Droxford

Droxford International Limited is incorporated in the British Virgin Islands. Droxford holds mining and other investments in Australia and elsewhere with a primary focus on investments in gold, coal, vanadium and iron ore projects. Droxford is the largest creditor of Atlantic and is also the largest shareholder of Atlantic with a 17.42% interest.

The sole director and 100% shareholder of Droxford is Mr Anthoni Salim. Mr Salim controls a diversified conglomerate which owns interests in companies with interests in dairy products, flour milling, instant noodles, cooking oil, automobile assembly, property, insurance and retail.

6.2 Rationale for proposed acquisition

As Atlantic will not be in a position to repay the debt owed to Droxford in the foreseeable future, following discussions with Atlantic and consideration of the various options available to both parties, Droxford has put forward the Scheme proposal as a compromise to pursuing its rights in relation to the debt and as a gesture of good faith to Atlantic Shareholders.

6.3 Funding Arrangements for Scheme Consideration

The Scheme Consideration is 100% cash. Droxford holds Convertible Bonds and Promissory Notes issued by Atlantic under which \$332.5 million is due and payable (including accrued interest) as at 31 March 2016. In partial payment of accrued interest on the Convertible Bonds, Atlantic has undertaken to pay the Financial Assistance Amount to Droxford to assist Droxford in paying the Scheme Consideration, subject to the Financial Assistance Resolution being passed.

6.4 Droxford's intentions for Atlantic

This Section 6.4 sets out Droxford's current intentions in respect of Atlantic's business, assets, corporate structure and employees, in the event of a successful implementation of the Scheme.

The statements set out in this Section 6.4 are based on information concerning Atlantic and its business that is known to Droxford at the time of preparation of this Scheme Booklet from publicly available sources in the course of its due diligence in connection with the proposed Scheme.

If the Scheme is implemented, Droxford intends to implement a structured care and maintenance plan for the Windimurra project and consider options for its redevelopment when market conditions allow. In addition, Droxford intends to support Atlantic to continue negotiations with the minority insurers to settle Atlantic's business interruption insurance claim relating to the fire in the beneficiation plant at Windimurra in February 2014. Droxford's final decisions on these matters will only be made in light of all material facts and circumstances at the relevant time after implementation of the Scheme.

Accordingly, the statements set out in this Section 6.4 are statements of current intention only and may change as new information becomes available or as circumstances change.

(a) Atlantic Board

If the Scheme is implemented, Droxford intends to retain the Atlantic Board.

(b) Employees

Droxford currently intends to retain all existing staff and has no present intention for there to be any immediate impacts on Atlantic employees.

(c) Review of operations

If the Scheme becomes Effective, Droxford intends to undertake a detailed review of Atlantic's operations. Any final decisions as to Droxford's intentions for Atlantic would only be finalised following this review (other than where Droxford expressly states in this Scheme Booklet that it has determined to do something). However, based on the information available to Droxford at the date of this Scheme Booklet, Droxford believes that it can utilise Atlantic as the vehicle for its investment in the Windimurra project.

(d) Business continuity

Droxford has no current intention to make any immediate or major changes to Atlantic's business, assets or operations.

(e) Delisting

If the Scheme is implemented, Droxford intends to request ASX to remove Atlantic from ASX's official list.

6.5 Droxford's Relevant Interest in Atlantic Shares

As at the date of this Scheme Booklet, Droxford has a Relevant Interest and voting power in 17.42% of Atlantic Shares.

None of Droxford or any of its Associates have provided or agreed to provide consideration for any Atlantic Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

During the four months before the date of this Scheme Booklet, none of Droxford or any of its Associates gave or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to vote in favour of the Scheme, or dispose of Atlantic Shares, where the benefit was not offered to all Atlantic Shareholders.

Droxford will not be making any payment or giving any benefit to any Director as compensation or consideration for, or otherwise in connection with, their resignation from the Atlantic Board, if the Scheme becomes Effective and the Atlantic Board is accordingly reconstituted.

7. Risk factors

7.1 Introduction

The risk factors in Section 7.2 are existing factors relating to Atlantic and the resources industry. However, the list of risks set out in Section 7.2 is not exhaustive. Additional risks and uncertainties of which Atlantic is unaware, or that it currently considers immaterial, may also impair the operations and future prospects of Atlantic. If any such risks were to occur, the business of Atlantic may be harmed and its financial condition, and results of operations, may suffer significantly.

These risks will only continue to be relevant to Atlantic Shareholders if the Scheme does not proceed and Atlantic Shareholders retain their current investment in Atlantic. If the Scheme proceeds, Atlantic Shareholders will receive the Scheme Consideration, will cease to be Atlantic Shareholders and will no longer be exposed to the risks set out in Section 7.2.

In deciding whether to vote in favour of the Scheme, you should carefully consider the following risk factors. These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Atlantic Shareholders.

Scheme Participants in doubt about how to act, should seek independent professional advice before deciding on how to vote on the Scheme.

7.2 Risks relating to Atlantic

(a) Default under Convertible Bonds and Promissory Notes

In light of the existing default under the Convertible Bonds and the Promissory Notes and the expiry of the Forbearance Period (on the earliest to occur of the Scheme Implementation Deed terminating in accordance with its terms, 30 Business Days after the Effective Date or where the Independent Director recommends a Competing Proposal and does not, within three Business Days, reinstate his recommendation of the Scheme), if the Scheme is not implemented and a superior proposal or an alternative source of financing is not completed by such date, there is a significant risk concerning Atlantic's ability to continue as a going concern (discussed further in paragraph (b) below).

If a third party proposes to make a Competing Proposal for Atlantic, that third party will have to reach an agreement with Droxford in relation to the debt owed to Droxford under the Convertible Bonds and Promissory Notes.

(b) Ability to continue to trade

If the Scheme does not proceed, the Forbearance Period will expire (which Droxford has indicated it will not further extend) and the debts due to Droxford will be immediately due and payable. Atlantic does not currently have the cash resources to repay those debts. In those circumstances, Droxford is entitled to and has indicated that it will pursue recovery of the amounts owing under the Convertible Bonds and Promissory Notes.

In that event, should Atlantic be unable to raise further funding or agree with Droxford to further extend the Forbearance Period, Atlantic may be unable to continue to trade and the Atlantic Board may be forced to appoint an external administrator.

(c) No revenue-generating assets

Atlantic's only asset is the Windimurra project assets which Atlantic re-acquired on 26 May 2016 (see Section 5.5). However, as at the date of this Scheme Booklet, the Windimurra project is not in production. This creates significant uncertainty as to whether Atlantic will be able to meet its debts as and when they fall due and thus continue its operations.

(d) Windimurra project assets are not cash flow positive

On 26 May 2016, Atlantic re-acquired the Windimurra project assets, including the mining leases, plant and equipment and related assets (see Section 5.5). The Windimurra project is not in production and is not cash flow positive and has certain on-going care and maintenance, environmental, social and regulatory obligations that require Atlantic to expend funds to meet those obligations. There can be no assurance that Atlantic will have the funds to meet those costs.

(e) Significant investment is required to bring the Windimurra project back into production

The Windimurra project will require significant capital investment before it can recommence vanadium production. There can be no assurance that Atlantic will be in a position to secure the necessary funding to bring the project back into production (even having regard to any amounts received under the insurance claim described in Section 5.7).

(f) Vanadium prices may not be at a level to support the redevelopment of Windimurra

To sustain the significant capital investment required to bring the Windimurra project back into production, sustained higher vanadium prices will be necessary. Vanadium prices are volatile, and there can be no assurance that vanadium prices will return to levels

that will sustain the redevelopment of the project or remain at levels that will sustain a profitable operation in the future.

(g) No assurance that insurance claim will be settled

Business interruption insurance claims are complex matters and involve a number of insurers providing coverage under the same policy. Whilst Atlantic has reached a settlement agreement with 77.5% of the insurers covering the major fire in the beneficiation plant at Windimurra in February 2014, there can be no assurance that Atlantic will be able to reach a settlement with the remaining insurers on the claim.

7.3 General market risks

(a) Securities investment risks

Atlantic Shareholders should be aware that there are risks associated with any securities investment. The market price of a publicly traded stock is determined by the stock market and will be subject to a range of factors beyond the control of Atlantic, the Directors, or Atlantic's management. Such factors include, but are not limited to, the demand for and availability of Atlantic Shares, actions of major shareholders, movements in domestic interest rates, exchange rates, fluctuations in the ASX and other stock markets and general domestic and economic activity. These factors may materially affect the market price of Atlantic Shares, regardless of Atlantic's operational performance.

Furthermore, in recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Atlantic's securities.

(b) Liquidity

Atlantic's shares are currently suspended from trading on ASX. There is no guarantee that the suspension will be lifted and an active trading market for Atlantic Shares on ASX will resume.

7.4 Transactional risk factors

(a) Satisfaction or waiver of conditions

Completion of the Scheme is subject to a number of conditions. There can be no certainty, nor can Atlantic provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or

waived (where applicable), when that will occur. In addition, there are a number of other conditions precedent to the Scheme which are outside the control of Atlantic including, but not limited to, approval of the Scheme by the Requisite Majority of Atlantic Shareholders and approval of the Financial Assistance Resolution (see Section 9.2 and Annexure 2).

(b) Termination of the Scheme Implementation Deed

Each of Atlantic and Droxford has the right to terminate the Scheme Implementation Deed in certain circumstances. Accordingly, there is no certainty that the Scheme Implementation Deed will not be terminated by either Atlantic or Droxford before the implementation of the Scheme.

Under the terms of the Scheme, the Scheme will not become Effective if the Scheme Implementation Deed is terminated before 8:00 am on the Second Court Date.

If the Scheme Implementation Deed is terminated, there is no assurance that the Atlantic Board will be able to find a party willing to pay an equivalent or greater price for Atlantic Shares than the price to be paid pursuant to the terms of the Scheme Implementation Deed.

8. Taxation implications

This Section provides a general summary of the potential Australian tax consequences for Atlantic Shareholders arising from the disposal of their Atlantic Shares under the Scheme. This summary is based on the law in effect as at the date of this Scheme Booklet.

This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Atlantic Shareholder. Being general in nature, this Section does not take into account the individual circumstances of each Atlantic Shareholder and should not be relied upon by any Atlantic Shareholder or any other person. Atlantic Shareholders should obtain, and only rely upon, their own professional taxation advice about the consequences of disposing of Atlantic Shares for cash having regard to their own specific circumstances, including the application and effect of the income and other taxes of any country, state, province or other jurisdiction in which the Atlantic Shareholders reside or carry on business.

The statements in this Section are limited to the Australian tax consequences to those Atlantic Shareholders whose Atlantic Shares are held on capital account for Australian income tax purposes.

The Australian tax consequences for Atlantic Shareholders who hold their Atlantic Shares as revenue assets or trading stock, or as assets used in carrying on a business, or who are subject to the taxation of financial arrangements rules in Division 230 of the Tax Act in relation to gains and losses on their Atlantic Shares may be different to the statements below.

8.1 Australian income tax consequences for Atlantic Shareholders

(a) Australian resident Atlantic Shareholders

The disposal of Atlantic Shares will trigger a taxable event for Atlantic Shareholders.

Broadly, a capital gain, a capital loss, or a net nil position, will arise depending on whether the Scheme Consideration exceeds, is less than, or is equal to the cost base, indexed cost base or reduced cost base (as relevant) of your Atlantic Shares. The time of the capital gains tax event will be the Implementation Date.

An Atlantic Shareholder will realise a capital gain in connection with the disposal of an Atlantic Share equal to the amount of the Scheme Consideration less the cost base (or indexed cost base, if applicable) of that Atlantic Share. Alternatively, an Atlantic

Shareholder will realise a capital loss equal to the amount by which the reduced cost base of the Atlantic Share exceeds the Scheme Consideration. A capital loss may only be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain applicable loss recoupment tests.

The cost base of an Atlantic Share should generally include the amount paid (or deemed to be paid) to acquire the Atlantic Share that includes certain incidental costs of the acquisition, such as brokerage fees. Reduced cost base is usually determined in a similar, but not identical manner. These amounts will generally be determined in Australian dollars (A\$).

An Atlantic Shareholder who is an individual, trust or a complying superannuation fund may be entitled to claim the capital gains tax (CGT) discount in calculating any capital gain provided that the:

- Atlantic Shares were acquired at least 12 months before the Implementation Date (excluding the acquisition and disposal dates); and
- Atlantic Shareholder did not choose to index the cost base of their Atlantic Shares (if such choice was available).

In these circumstances, the applicable CGT discount that should reduce a net capital gain arising from the disposal of Atlantic Shares is as follows:

- 50% for individuals or trusts; or
- 33 $\frac{1}{3}$ % for a complying superannuation entity.

The CGT discount is applied to the capital gain after any available capital losses of the Atlantic Shareholder are first offset against that capital gain (i.e. on the net gain).

(b) Non-Australian resident Atlantic Shareholders

The following discussion applies to an Atlantic Shareholder who, immediately before the Implementation Date, is not, and has never been, a resident of Australia for the purposes of the Tax Act and who holds their Atlantic Shares on capital account for Australian income tax purposes.

A non-Australian tax resident Atlantic Shareholder will be able to disregard the whole of the capital gain or capital loss they make for Australian tax purposes on the disposal of their Atlantic Shares if:

- For personal use only
- the Atlantic Shareholder holds less than 10% of the total issued shares in Atlantic; or
 - the value of the Taxable Australian Real Property (as defined in the Tax Act) held by Atlantic at the time of the disposal is less than the value of its non-Taxable Australian Real Property assets.

Non-Australian tax resident Atlantic Shareholders should, however, obtain their own independent tax advice on the application of the Tax Act to any gain or loss realised on transfer of their Atlantic Shares.

8.2 Australian Goods and Services Tax

Atlantic Shareholders should not be liable for GST in respect of a disposal of their Atlantic Shares under the Scheme.

8.3 Australian stamp duty

Atlantic Shareholders should not be liable for stamp duty in any Australian State or Territory in respect of a disposal of their Atlantic Shares under the Scheme.

9. Information about the Scheme and the Financial Assistance

9.1 Scheme Implementation Deed

Atlantic and Droxford have entered into the Scheme Implementation Deed in connection with the proposed Scheme. The Scheme Implementation Deed sets out the obligations of Atlantic and Droxford in relation to the Scheme.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed is contained in Annexure 2.

9.2 Conditions

(a) Conditions to the Scheme

Implementation of the Scheme is subject to the following conditions being satisfied or, where applicable, waived, in accordance with the terms of the Scheme Implementation Deed before the Scheme can be implemented:

- **FIRB approval:** the Federal Treasurer advising Droxford that the Commonwealth of Australia has no objections to Droxford acquiring Atlantic;
- **Scheme Resolution approval:** Atlantic Shareholders approving the Scheme at the Scheme Meeting by the Requisite Majority;
- **Financial Assistance Resolution approval:** Atlantic Shareholders approving the Financial Assistance Resolution by the requisite majority under the Corporations Act;
- **Court approval:** the Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- **No restraint:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Scheme;
- **Third party consents:** parties to contracts involving Atlantic (or a subsidiary) granting any necessary consent, agreement, waiver, licence or approval in respect of that contract and such consents not being withdrawn, cancelled or revoked;
- **Representations and warranties:** the representations and warranties given by Atlantic and Droxford under the Scheme

Implementation Deed remaining true and correct in all material respects as at the date of the Scheme Implementation Deed and as at 8:00 am (AWST) on the Second Court Date, unless expressed to be given at another date.

Full details of the conditions and the ability of Atlantic and Droxford to rely on these conditions and the provisions relating to satisfaction and waiver of these conditions are set out in clause 4 of the Scheme Implementation Deed.

As at the date of this Scheme Booklet, each of the conditions (other than in respect of FIRB approval) remain outstanding. Atlantic is not aware of any reason why these conditions will not be satisfied. If appropriate, Atlantic intends to announce on ASX the satisfaction (or waiver) of the conditions.

9.3 Deal protection mechanisms

The Scheme Implementation Deed does not contain any deal protection mechanisms such as no-shop, no-talk or obligations to pay reimbursement fees.

Atlantic Shareholders should note that if the Scheme does not become Effective, the Forbearance Period will expire. Droxford will then be entitled to enforce its right for immediate repayment of the Convertible Bonds and Promissory Notes, and as a result of Atlantic's inability to meet those debts immediately, the Atlantic Board may be required to appoint an external administrator. Droxford has indicated to the Atlantic Board that it does not intend to extend the Forbearance Period in the event the Scheme is not approved by the Requisite Majority of Atlantic Shareholders.

9.4 Termination of the Scheme Implementation Deed

The Scheme Implementation Deed may be terminated (in this Section 9.4 "terminate") in certain circumstances, including:

• Conditions Precedent

Either Droxford or Atlantic may terminate, if there is non-fulfilment of a condition precedent which is not waived (to the extent it is capable of waiver) and there is failure to agree on an alternative means of completing the Scheme.

• If there is a material breach of the Scheme Implementation Deed

Either Droxford or Atlantic, with notice, may terminate if the other is in material breach of the Scheme Implementation Deed (including

breaches of any representation or warranty) at any time prior to 8:00 am (AWST) on the Second Court Date and if the breach is capable of remedy, it is not remedied within five Business Days of notice to do so from the non-defaulting party.

- **If the Scheme fails to become Effective before the End Date**

Atlantic or Droxford may terminate if the End Date has passed before the Scheme becomes Effective (other than as a result of a breach by the terminating party of its obligations under the Scheme Implementation Deed).

- **The Independent Director of Atlantic recommends a Competing Proposal**

Atlantic may terminate at any time before 8:00 am (AWST) on the Second Court Date, if the Independent Director of Atlantic recommends a Competing Proposal for Atlantic and does not reinstate his recommendation of the Scheme within three Business Days.

- **The Independent Director withdraws or adversely modifies his recommendation of the Scheme**

Droxford may terminate, if at any time prior to 8:00 am (AWST) on the Second Court Date, the Independent Director has withdrawn or adversely modified his recommendation that Atlantic Shareholders vote in favour of the Scheme or recommends a Competing Proposal.

- **If the Scheme is not approved by Atlantic Shareholders**

The Scheme Implementation Deed automatically terminates if the Scheme is not approved by the Requisite Majority of Atlantic Shareholders at the Scheme Meeting.

9.5 Financial Assistance

Atlantic has undertaken to pay the Financial Assistance Amount to Droxford to assist Droxford in paying the Scheme Consideration. The Financial Assistance cannot be made by Atlantic without the approval of the Atlantic Shareholders (not including the Excluded Shareholders). The Scheme cannot proceed unless the Financial Assistance Resolution is passed. Approval is sought by special resolution, which requires at least 75% of the votes that are cast on the resolution to be in favour of the resolution.

9.6 Approval for Financial Assistance

This Scheme Booklet constitutes an explanatory

statement in respect of the Financial Assistance for the purposes of section 260B(4) of the Corporations Act and contains all material information known to the Atlantic Board that could reasonably be required by Atlantic Shareholders in deciding how to vote on the Financial Assistance Resolution (other than information that would be unreasonable to require the Independent Director to disclose because such information has previously been disclosed to Atlantic Shareholders).

9.7 Reason for approval of Financial Assistance

(a) Background

On 7 April 2016, Atlantic entered into a Scheme Implementation Deed with Droxford under which it is proposed that Droxford will acquire all of the outstanding Atlantic Shares in Atlantic not owned by Droxford on the implementation of the Scheme. Subject to the Scheme proceeding, on the Implementation Date, Atlantic will become a wholly-owned subsidiary of Droxford.

In or around March 2012, Atlantic issued to Droxford Class A convertible bonds, under which principal and interest remains outstanding. As at 31 March 2016, Atlantic owed Droxford \$332.5 million under the Convertible Bonds and the Promissory Notes (including accrued interest).

In order to assist in funding the Scheme Consideration payable to Scheme Participants, the Scheme Implementation Deed requires Atlantic to pay the Financial Assistance Amount (being part of the accrued interest payable by Atlantic to Droxford under the terms of the Class A Convertible Bond Deed) as directed by Droxford into an Australian dollar denominated trust account operated by or on behalf of Atlantic to be held on trust for Scheme Participants.

The payment of the Financial Assistance Amount by Atlantic to Droxford in accordance with the Scheme Implementation Deed will have the effect of financially assisting in the acquisition of its own shares for the purposes of section 260A of the Corporations Act.

(b) Why shareholder approval is required

As Droxford will use the Financial Assistance Amount to fund the Scheme Consideration, Atlantic will financially assist Droxford's acquisition of Atlantic Shares under the Scheme.

Section 260A of the Corporations Act prohibits Atlantic from financially assisting Droxford to acquire Atlantic Shares unless:

- (i) giving the financial assistance does not materially prejudice the interests of Atlantic

or Atlantic Shareholders, or Atlantic's ability to pay its creditors;

- (ii) the assistance is approved by a special resolution passed at a general meeting of Atlantic under section 260B of the Corporations Act; or
- (iii) the assistance is exempted under section 260C of the Corporations Act.

None of the exemptions in section 260C of the Corporations Act apply to these circumstances.

The Independent Director does not consider that the provision of the Financial Assistance Amount will materially prejudice the interests of Atlantic or its shareholders. The Independent Director believes that the interests of Atlantic Shareholders will not be prejudiced because the Financial Assistance Amount will only be provided after the Scheme becomes Effective.

However, as to Atlantic's creditors, the Independent Director notes that Droxford is Atlantic's largest creditor and that Atlantic will not be in a position to repay its debt owed to Droxford in the foreseeable future. Accordingly, the Independent Director considers it appropriate to seek the approval of Atlantic Shareholders under item 1 of the Notice of Scheme Meeting pursuant to section 260B(1) of the Corporations Act to authorise the Financial Assistance to be given by Atlantic to Droxford.

Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of the company at a general meeting by either:

- (i) a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (ii) a resolution agreed to, at a general meeting, by all ordinary shareholders.

Accordingly, it is proposed that the Financial Assistance be approved by special resolution of Atlantic Shareholders.

(c) Effect of the Financial Assistance

As Atlantic is already liable to Droxford for the amounts payable under the Class A convertible bond (which includes the Financial Assistance Amount), the giving of the Financial Assistance by Atlantic to Droxford is unlikely to have any adverse effect on Atlantic.

The substantial effect of the Financial Assistance on Atlantic and providing the Financial Assistance

Amount to Droxford will be that Atlantic will be required to partially pay amounts already due and payable to Droxford under the Class A convertible bond (which will ultimately be distributed to Scheme Participants on implementation of the Scheme by way of the Scheme Consideration).

The principal advantage to Atlantic is to facilitate a solvent restructuring through the implementation of the Scheme, which Droxford views as a compromise to pursuing its rights in relation to the amounts owing by Atlantic to Droxford.

As Atlantic owes significant amounts to Droxford under the Class A convertible bonds (as well as under the other Convertible Bonds and Promissory Notes), the Independent Director does not believe that there are any disadvantages to Atlantic in relation to the proposed Financial Assistance Resolution, except that Atlantic will be required to pay the Financial Assistance Amount due under the Scheme Implementation Deed.

The Independent Director has considered the giving of the Financial Assistance and is of the opinion that there are reasonable grounds to believe that it is in the best interests and for the commercial benefit of Atlantic.

9.8 Additional information regarding Financial Assistance

(a) Lodgement of Notice of Scheme Meeting with ASIC

A copy of the Notice of Scheme Meeting set out in Annexure 5 proposing the Financial Assistance Resolution (together with this Scheme Booklet) was lodged with ASIC before being sent to Atlantic Shareholders, as required by section 260B(5) of the Corporations Act.

(b) Lodgement of notice and special resolution with ASIC

If the Financial Assistance Resolution is passed:

- (i) Atlantic will lodge with ASIC a notice in the prescribed form stating that the Financial Assistance has been approved at least 14 days before providing the Financial Assistance Amount, as required by section 260B(6) of the Corporations Act; and
- (ii) a copy of the Financial Assistance Resolution will be lodged with ASIC within 14 days after being passed, as required by section 260B(7) of the Corporations Act.

(c) Director's recommendation

As the Independent Director considers that the Scheme is in the best interests of Atlantic Shareholders, the Independent Director recommends that, in the absence of a superior proposal, you vote in favour of the Financial Assistance Resolution at the Scheme Meeting as it is required to implement the Scheme. Refer to Section 2.1 for the reasons why the Independent Director supports the Scheme.

(d) Approval and voting exclusions

Pursuant to section 260B(1) of the Corporations Act, the Financial Assistance must be approved by a special resolution (ie. 75% or more) of Atlantic Shareholders.

For the Scheme to be implemented, Atlantic Shareholders need to approve the Financial Assistance Resolution. Accordingly, the Financial Assistance Resolution needs to be approved by a special resolution of Atlantic Shareholders present and voting (either in person, or by proxy or representative).

In accordance with the Corporations Act, Atlantic will disregard any votes cast in favour of the Financial Assistance Resolution by the Excluded Shareholders.

10. Additional information

10.1 Management of potential conflict issues

On 8 April 2016, Atlantic announced that it had entered into a Scheme Implementation Deed with Droxford under which it is proposed that Droxford will acquire all of the outstanding Atlantic Shares in Atlantic not owned by Droxford.

The Atlantic Board recognised the potential for conflict to arise in relation to the position of the Excluded Directors who were nominated to the Atlantic Board by, or otherwise have connections with, Droxford. To manage such conflicts, the Atlantic Board appointed the Independent Director to consider and respond to Droxford's Scheme proposal consistent with participating insider protocols and existing conflicts protocols adopted by the Atlantic Board.

The Excluded Directors have chosen not to make a recommendation to Atlantic Shareholders in respect of the Scheme, due to the potential conflict which arises as a result of their position as nominee directors of, or connection with, Droxford.

10.2 Interests of Directors in Atlantic

As at the date of this Scheme Booklet, the Directors had the following Relevant Interests in Atlantic Shares:

| Director | Number of Atlantic Shares |
|------------------------|---------------------------|
| Phiong Phillipus Darma | -- |
| Bradley James Ellis | -- |
| Dr Michael John Daniel | 173,196 |

No Director acquired or disposed of a Relevant Interest in any Atlantic Share in the four month period ending on the date immediately before the date of this Scheme Booklet.

10.3 Interests of Directors in Droxford

As at the date of this Scheme Booklet, no Director has a Relevant Interest in any securities in Droxford.

No Director acquired or disposed of a Relevant Interest in any securities in Droxford in the four month period ending on the date immediately before the date of this Scheme Booklet.

10.4 Benefits and agreements

(a) Benefits in connection with retirement from office

No payment or other benefit is proposed to be made or given to any Director, secretary or executive officer of Atlantic (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Atlantic (or any of its Related Bodies Corporate) in connection with the Scheme.

(b) Agreements connected with or conditional on the Scheme

There are no agreements or arrangements made between any Director and any other person in connection with, or conditional on, the outcome of the Scheme, other than in their capacity as an Atlantic Shareholder.

(c) Interests of Directors in contracts with Droxford

None of the Directors has any interest in any contract entered into by Droxford.

(d) Benefits under the Scheme or from Droxford

None of the Directors has agreed to receive, or is entitled to receive, any benefit from Droxford which is conditional on, or is related to, the Scheme, other than in their capacity as an Atlantic Shareholder.

10.5 Atlantic share-based employee incentive arrangements

(a) Overview of arrangements

As detailed in Atlantic's annual report for the year ended 30 June 2015, Atlantic operates an Executive Share Incentive Plan to provide incentives and rewards for executives and an Employee Loyalty and Alignment Share Plan to provide incentives and rewards for employees.

(b) Executive Share Incentive Plan

As at the date of this Scheme Booklet, Atlantic has issued 4,960,000 Atlantic Shares under limited recourse loan facilities to participants of the Executive Share Incentive Plan, which are held by Atlantic Incentive Plan Pty Ltd ACN 141 006 895 on trust for the participants as follows:

| Participant | No. of Atlantic Shares |
|-------------|------------------------|
| Tony Veitch | 1,000,000 |

As at the date of this Scheme Booklet, all the Atlantic Shares issued under the Executive Share Incentive Plan are fully vested (although a participant's entitlement to 3,960,000 of those Atlantic Shares has since lapsed). However, these Atlantic Shares will only be

transferred from Atlantic Incentive Plan Pty Ltd into the participant's name once the limited recourse loan made to the participant has been fully repaid.

Atlantic Incentive Plan Pty Ltd will vote the Atlantic Shares held by it in relation to the Scheme Resolution and Financial Assistance Resolution as directed by the participant on behalf of whom it holds the Atlantic Shares. In the event that no directions are received by Atlantic Incentive Plan Pty Ltd, it will abstain from voting.

(c) Employee Loyalty and Alignment Share Plan

As at the date of this Scheme Booklet, Atlantic has issued 2,884,951 Atlantic Shares under limited recourse loan facilities to participants of the Employee Loyalty and Alignment Share Plan, which are held by Trinity Management Pty Ltd ACN 118 314 515 on trust for the participants.

Upon employment resignation, any unvested Atlantic Shares are relinquished. As at the date of this Scheme Booklet, of the 2,884,951 Atlantic Shares issued, only 22,727 Atlantic Shares remain outstanding and exercisable. These Atlantic Shares will only be transferred from Trinity Management Pty Ltd into the participant's name once the limited recourse loan made to the participant has been fully repaid.

Trinity Management Pty Ltd will vote the Atlantic Shares held by it in relation to the Scheme Resolution and Financial Assistance Resolution as directed by the participant on behalf of whom it holds the Atlantic Shares. In the event that no directions are received by Trinity Management Pty Ltd, it will abstain from voting.

(d) Dealing with incentive arrangements in relation to the Scheme

If holders of rights in respect of the Atlantic Shares held by Atlantic Incentive Plan Pty Ltd (under the Executive Share Incentive Plan) and by Trinity Management Pty Ltd (under the Employee Loyalty and Alignment Share Plan) repay the loans and procure the transfer of the Atlantic Shares prior to the Record Date, they will be entitled to participate in the Scheme.

Otherwise, the loans will be repaid via the application of the Scheme Consideration following the transfer of the Atlantic Shares under the Scheme with any shortfall to be borne by Atlantic.

10.6 Treatment of the Convertible Bonds

Atlantic has issued the Convertible Bonds to Droxford. The Class C and Class D Convertible Bonds are not convertible into Atlantic Shares. The Class A and B Convertible Bonds are no longer convertible into

Atlantic Shares as such right expired on 6 March 2015 and no further Atlantic Shares will be issued under the Convertible Bonds prior to the Record Date.

10.7 No unacceptable circumstances

The Independent Director believes that the Scheme does not involve any circumstances in relation to the affairs of Atlantic that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

10.8 Consents

Each of the following persons has given and has not, before the date of this Scheme Booklet, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named:

- Droxford in respect of the Droxford Information only.
- Deloitte as the Independent Expert.
- DLA Piper Australia as legal adviser to Atlantic.
- Security Transfer Registrars Pty Limited as the Atlantic Registry.

10.9 Disclaimer

Each person referred to in Section 10.8:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
 - (i) Droxford in respect of the Droxford Information only; and
 - (ii) Deloitte in relation to its Independent Expert's Report, and

to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in this Section 10.9.

10.10 Other material information

Except as set out in this Scheme Booklet, there is no

other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of the Independent Director at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Atlantic Shareholders.

10.11 Supplementary information

If between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Atlantic becomes aware of any of the following:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from the Droxford Information;
- a significant change affecting a matter in this Scheme Booklet has occurred; or
- a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Atlantic will prepare a supplementary document to this Scheme Booklet. Atlantic intends to make available any supplementary material to Atlantic Shareholders by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Atlantic's website (www.atlanticltd.com.au). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Atlantic may also send such supplementary materials to Atlantic Shareholders.

11. Glossary

11.1 Glossary

The terms used in this Scheme Booklet have the following meanings, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to it in the Corporations Act.

ASX means the Australian Securities Exchange or ASX Limited ABN 98 008 624 691, as the context requires.

Atlantic means Atlantic Ltd ACN 009 213 763.

Atlantic Board means the board of directors of Atlantic.

Atlantic Information means the information contained in this Scheme Booklet other than the Droxford Information and the information contained in the Independent Expert's Report.

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

Atlantic Shareholder means each person who is recorded in the Register as a holder of Atlantic Shares (other than the Excluded Shareholders).

Atlantic Registry means Security Transfer Registrars Pty Limited ACN 008 894 488.

Atlantic Vanadium means Atlantic Vanadium Pty Ltd ACN 610 583 090.

AVHPL means Atlantic Vanadium Holdings Pty Ltd (Subject to Deed of Company Arrangement) (Administrators Appointed) ACN 143 559 880.

AWST means Australian Western Standard Time.

Business Day means a day other than a Saturday, Sunday or public holiday on which banks are open for business generally in Perth, Western Australia, Australia.

Competing Proposal means any proposal (including a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than Droxford or its Associates acquiring (directly or indirectly):

- (i) an interest in all or a substantial part of the assets of Atlantic;
- (ii) a Relevant Interest in more than 20% of the voting shares of Atlantic;
- (iii) control of Atlantic within the meaning of section 50AA of the Corporations Act; or
- (iv) otherwise acquiring or merging with Atlantic (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure) except for any acquisition by Atlantic of:
 - (A) any entity whose consolidated gross assets as shown in its most recently published financial statements are less than 20% of the consolidated gross assets of Atlantic (and its subsidiaries) as shown in its most recently published financial statements; or
 - (B) any business or assets, other than a business or assets whose aggregate fair value is less than 20% of the consolidated gross assets of Atlantic (and its subsidiaries) as shown in its most recently published financial statements.

Convertible Bonds means each of the following:

- (i) Class A convertible bonds issued by Atlantic to Droxford in or around March 2012;

- (ii) Class B convertible bonds issued by Atlantic to Droxford in or around August 2012;
- (iii) Class C convertible bonds issued by Atlantic to Droxford in or around April 2013; and
- (iv) Class D convertible bonds issued by Atlantic to Droxford in or around August 2013.

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

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

Court means the Federal Court of Australia or such other Court of competent jurisdiction under the Corporations Act agreed to in writing by Atlantic and Droxford.

Deed of Variation means the deed of variation in relation to the Scheme Implementation Deed and the Scheme dated 27 June 2016 between Atlantic and Droxford.

Deed Poll means the deed poll dated 7 April 2016 executed by Droxford, set out in Annexure 4.

Deloitte means Deloitte Corporate Finance Pty Limited ACN 003 833 127.

Director means a director of Atlantic, in office at the date of lodgement of this Scheme Booklet for registration by ASIC, or in office from time to time, as the context requires.

DOCA means the deed of company arrangement dated 3 March 2016 between MVPL, AVHPL, the voluntary administrators of MVPL and AVHPL, Atlantic, Droxford and Atlantic Vanadium governing MVPL and AVHPL's affairs.

Droxford means Droxford International Limited.

Droxford Board means the board of directors of Droxford.

Droxford Information means all the information contained in this Scheme Booklet regarding Droxford, prepared by Droxford or its advisers, being the information in the Sections or parts of those Sections described below:

- (i) Section 6;
- (ii) the subsections headed "Forward looking statements", "Responsibility statement" and "Privacy and personal information" in the Important Notices and Disclaimers Section of this Scheme Booklet (as it pertains to Droxford);
- (iii) the "Letter from the Independent Director of Atlantic" Section of this Scheme Booklet (as it pertains to Droxford); and
- (iv) Sections 1.11, 1.12, 1.14, 1.20, 2.1, 3, 5.1, 7.2(b), 9.3, 9.4, 10.1, 10.3, 10.4 (to the extent each Section pertains to Droxford, the Excluded Directors' connection with Droxford and the financing of the Scheme Consideration).

except in each case to the extent that information is based on information provided or prepared by or on behalf of Atlantic.

Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

Employee Loyalty and Alignment Share Plan means the loan-funded share incentive plan operated by Atlantic extended to eligible employees.

End Date means 30 September 2016, unless extended in accordance with the Scheme Implementation Deed.

Excluded Director means each Director who was nominated to the Atlantic Board by, or otherwise has connections with, Droxford, being Mr Phiong Phillipus Darma and Mr Bradley James Ellis.

Excluded Shareholders means Droxford and its Associates.

Executive Share Incentive Plan means the loan-funded share incentive plan operated by Atlantic extended to

executives of Atlantic.

Financial Assistance means the payment of amounts by Atlantic directly or indirectly to Droxford after the Scheme has become Effective to assist Droxford in financing the Scheme Consideration.

Financial Assistance Amount means the amount of A\$383,397.22, being part of the accrued interest payable by Atlantic to Droxford under the terms of the Class A Convertible Bond Deed (as amended) dated 2 March 2012, to be paid by Atlantic to assist Droxford in the financing of the Scheme Consideration.

Financial Assistance Resolution means the resolution to be put at the Scheme Meeting under sections 260A(1)(b) and 260B of the Corporations Act in respect of the Financial Assistance.

FIRB means the Australian Foreign Investment Review Board.

Forbearance Letter means the letter between Droxford and Atlantic dated 28 April 2015 setting out the Forbearance Period.

Forbearance Period means the period set out in the Forbearance Letter (as extended by the Second Forbearance Letter and the Scheme Implementation Deed) to expire on the earliest to occur of the following:

- (i) the Scheme Implementation Deed terminating in accordance with its terms;
- (ii) 30 Business Days after the Effective Date; and
- (iii) the Independent Director recommends a Competing Proposal and does not, within three Business Days, reinstate his recommendation of the Scheme.

Glossary means this table of defined terms in this Section 11.

GST means Australian goods and services tax.

Implementation Date means the fifth Business Day after the Record Date.

Independent Director means Dr Michael John Daniel.

Independent Expert means Deloitte.

Independent Expert's Report means the report prepared by the Independent Expert dated 28 June 2016 set out in Annexure 1.

MVPL means Midwest Vanadium Pty Ltd (Subject to Deed of Company Arrangement) (Administrators Appointed) ACN 113 874 712.

Notes Group means a group of investors holding a majority of the senior secured notes issued by MVPL.

Notice of Scheme Meeting means the notice convening the Scheme Meeting together with the Proxy Forms for that meeting as set out in Annexure 5.

Promissory Notes means the promissory notes issued by Atlantic to Droxford in or around October 2013.

Proxy Form means the proxy form that accompanies this Scheme Booklet.

Record Date means 5.00 pm (AWST) on the day which is five Business Days after the Effective Date, or any other date (after the Effective Date) as Atlantic and Droxford may agree in writing to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Register means the share register of Atlantic kept pursuant to the Corporations Act.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Relevant Interest has the same meaning given by sections 608 and 609 of the Corporations Act.

Requisite Majority means in relation to the Scheme Resolution, a resolution passed by, a majority in number (more than 50%) of Atlantic Shareholders, who are present and voting, either in person or by proxy, attorney or in the case

of a corporation its duly appointed corporate representative, and passed by at least 75% of the votes cast on the resolution.

Scheme means the scheme of arrangement between Atlantic and the Scheme Participants under which all Scheme Shares will be transferred to Droxford in accordance with Part 5.1 of the Corporations Act, as amended by the Deed of Variation and substantially in the form contained in Annexure 3, together with any amendment or modification made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Droxford and Atlantic.

Scheme Booklet means this scheme booklet.

Scheme Consideration means in respect of each Scheme Share, \$0.003 cash.

Scheme Implementation Deed means the Scheme Implementation Deed dated 7 April 2016 between Atlantic and Droxford, as amended by the Deed of Variation, set out in Annexure 2.

Scheme Meeting means the meeting of Atlantic Shareholders to be held at 11:30am (AWST) on 24 August 2016 convened:

- (i) by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting; and
- (ii) for the purposes of section 260B of the Corporations Act to approve the payment of the Financial Assistance Amount.

Scheme Participant means each person who is an Atlantic Shareholder as at the Record Date.

Scheme Resolution means the resolution to agree to the terms of the Scheme.

Scheme Share means an Atlantic Share held by a Scheme Participant as at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Second Court Hearing means the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Second Forbearance Letter means the letter between Droxford and Atlantic dated 3 October 2015 extending the Forbearance Period.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth).

Transaction means the acquisition by Droxford of all the Atlantic Shares not already held by Droxford through implementation of the Scheme.

Windimurra means the Windimurra vanadium and iron ore project previously owned and operated by MVPL and re-acquired by a newly incorporated wholly-owned Subsidiary of Atlantic pursuant to a deed of company arrangement and an asset sale agreement (among other transaction documents).

11.2 Interpretation

In this Scheme Booklet:

- all dates and times are Perth, Australia times unless otherwise indicated;
- words and phrases not otherwise defined in this Scheme Booklet (excluding the Annexures of this Scheme Booklet) have the same meaning (if any) as is given to them by the Corporations Act;
- the singular includes the plural and vice versa. A reference to a person includes a reference to a company, corporation or other body corporate, partnership, joint venture, or association and vice versa;

- headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet;
- a reference to a Section is to a Section in this Scheme Booklet unless stated otherwise;
- words of any gender include all genders;
- a reference to a Section or Annexure, is a reference to a Section of or Annexure to, this Scheme Booklet;
- a reference to dollars, \$, A\$ is a reference to the lawful currency of the Commonwealth of Australia, unless otherwise indicated;
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- the meaning of general words is not limited by specific examples introduced by “including”, “for example” or similar expressions.

Annexure 1 – Independent Expert's Report

For personal use only

Atlantic Limited

Independent expert's report and Financial Services Guide

28 June 2016

For personal use only

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately AUD90,000 exclusive of GST in relation to the preparation of this report. These fees are not contingent upon the success or otherwise of the proposed transaction between Droxford International Limited and Atlantic Limited.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates

and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

| | |
|--|----------------------|
| The Complaints Officer, Financial Ombudsman Services | |
| PO Box N250 | GPO Box 3 |
| Grosvenor Place | Melbourne VIC 3001 |
| Sydney NSW 1220 | info@fos.org.au |
| complaints@deloitte.com.au | www.fos.org.au |
| Fax: +61 2 9255 8434 | Tel: 1300 780 808 |
| | Fax: +61 3 9613 6399 |

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

The Independent Director
Atlantic Limited
Level 11
125 St Georges Terrace
Perth WA 6000

28 June 2016

Dear Director

Independent expert's report

Introduction

On 8 April 2016 (the Announcement Date), Atlantic Limited (Atlantic or the Company) announced that it had entered into a Scheme Implementation Deed with Droxford International Limited (Droxford) whereby Droxford will acquire all of the fully paid ordinary Atlantic shares which it does not already own for a cash consideration of \$0.003 per Atlantic share (Scheme Consideration) (the Proposed Scheme).

Upon completion of the Proposed Scheme, Atlantic will become a wholly owned subsidiary of Droxford. Atlantic will subsequently be delisted from the Australian Securities Exchange (ASX). The board of Atlantic has prepared a scheme booklet containing the detailed terms of the Proposed Scheme (the Scheme Booklet) and an overview of the Proposed Scheme is provided in Section 1 of our detailed report.

Unless stated otherwise, all numbers in this report are in AUD, which is Atlantic's reporting currency and the currency in which the consideration is denominated.

Our work was completed on 19 April 2016. We have, however, monitored movements in market and economic parameters to the date of this report; in particular we note the increase in spot vanadium prices. These market movements do not change our opinion.

Purpose of the report

Section 411 of the Corporations Act 2001 (Section 411) regulates schemes of arrangement between companies and their shareholders. Part 3 prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Whilst an independent expert's report (IER) in respect of the Proposed Scheme is not required to meet any statutory obligations, the independent director of Atlantic (the Director) has requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an IER advising whether, in our opinion, the Proposed Scheme is in the best interests of shareholders other than Droxford (Non-Associated Shareholders).

This IER has been prepared in a manner consistent with Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) (Part 3) to assist Non-Associated Shareholders and the Director in their consideration of the Proposed Scheme. We have prepared this report having regard to Part 3 and Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 and ASIC Regulatory Guide 112.

This report is to be included in the Scheme Booklet to be sent to Non-Associated Shareholders and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders and the Director in their consideration of the Proposed Scheme. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and the Director, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

We have prepared this report having regard to ASIC Regulatory Guide 111 Content of expert reports (RG111) and ASIC Regulatory Guide 112 Independence of experts (RG112), in line with Australian practice for IERs.

Control transactions can include many different types of transactions and the basis of evaluation selected by the expert must take account of the substance of a transaction. RG111 provides guidance in relation to the content of IERs prepared for a range of transactions.

Under RG111 a control transaction (such as the Proposed Scheme) is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or despite not being fair, after considering other significant factors, non-associated shareholders should accept the offer, in the absence of any higher bids.

Where the proposed scheme has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid; however, where the takeover bid is in the form of a scheme, the opinion reached should also state whether the proposed transaction is “in the best interests of the members of the company”.

Accordingly, if an expert were to conclude that a proposal was ‘fair and reasonable’, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company. If an expert were to conclude that the proposal was ‘not fair but reasonable’, it is open to the expert to conclude that the proposal is in the best interests of the members of the company. If the expert concludes that the proposal is ‘neither fair nor reasonable’ then the expert would conclude that the proposal is not in the best interest of members.

To assess whether the Proposed Scheme is in the best interests of Non-Associated Shareholders, we have adopted the test of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in RG111.

Fairness

The Atlantic shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of an Atlantic share has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Scheme is fair by comparing the value of an Atlantic share with the value of the consideration to be received from Droxford. We have assessed the value of each Atlantic share by estimating the current fair market value of Atlantic on a control basis and dividing this value by the number of shares on issue.

Reasonableness

RG111 considers an offer in respect of a control transaction to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

Summary and conclusion

In our opinion the Proposed Scheme is fair and reasonable and in the best interests of Non-Associated Shareholders. In arriving at this opinion, we have had regard to the following factors.

The Proposed Scheme is fair

According to RG111, in order to assess whether the Proposed Scheme is fair, we are required to compare the fair market value of an Atlantic share on a control basis with the fair market value of the consideration under the

Proposed Scheme. The Proposed Scheme is fair if the value of the consideration is equal to or greater than the fair market value of an Atlantic share.

Set out in the table below is a comparison of our assessment of the fair market value of an Atlantic share with the consideration offered by Droxford under the Proposed Scheme.

Table 1: Fairness test

| | Section | Low (AUD) | High (AUD) |
|--|---------|-----------|------------|
| Estimated fair market value of an Atlantic share | 3.4 | nil | nil |
| Cash consideration offered | 1.1 | 0.003 | 0.003 |

Source: Deloitte Corporate Finance analysis

The consideration offered by Droxford is above our valuation range. Accordingly it is our opinion that the Proposed Scheme is fair.

Valuation of Atlantic

We have estimated the fair market value of an Atlantic share by applying the sum of the parts method, which estimates the value of Atlantic by valuing the various assets and liabilities of Atlantic and aggregating those values as presented in the table below.

Table 2: Sum of the parts valuation

| | | Unit | Low | High |
|--|-------|--------------------|-----------------|----------------|
| Windimurra Project | 3.3.1 | AUD million | (20.0) | 0.3 |
| Enterprise value | | AUD million | (20.0) | 0.3 |
| Surplus assets | 3.3.2 | AUD million | 16.0 | 16.0 |
| Net cash/(debt) | 3.3.3 | AUD million | (329.3) | (329.3) |
| Equity value (on a control basis) | | AUD million | (333.3) | (313.0) |
| Number of shares on issue | | million | 154.8 | 154.8 |
| Value per Atlantic share (on a control basis) | | AUD | (2.15) | (2.02) |
| Value per Atlantic share (selected) | | AUD | nil | nil |

Source: Deloitte Corporate Finance analysis

Note:

1. All numbers in AUD million are rounded to the closest million in all tables in the Report

Windimurra

Atlantic used to own and operate the Windimurra vanadium and iron ore project (the Project) through its subsidiary companies, Midwest Vanadium Pty Ltd (Midwest Vanadium) and Atlantic Vanadium Holdings Pty Ltd (Atlantic Vanadium). In 2014, a fire destroyed a part of the Project plant resulting in severe business disruption, and Midwest Vanadium and Atlantic Vanadium were subsequently put into administration.

The administrators tried, but were unable to sell the Project. On 3 February 2016, Atlantic announced that it had submitted a bid to acquire the Project out of administration with the support of Droxford for a cash consideration of AUD0.25 million (the Offer). On 15 February 2016, Atlantic announced that the Offer had been approved by over 99% of creditors at the creditors' meeting. On 30 May 2016, Atlantic announced that it had completed the acquisition of the Project.

We have valued the Project by considering the Offer for the Project and the capitalised care and maintenance costs in relation to the Project. We have cross checked our valuation using the discounted cash flow method based on the financial model for the Project (the Model) provided by Atlantic management (Management).

The Model was developed in 2014 for company restructuring purposes and has not been updated to reflect current economic conditions or potential redevelopment investment strategies. The Project is currently in care and maintenance due to depressed vanadium prices and the Model assumes a 12-month redevelopment phase before the resumption of production.

Surplus assets

Atlantic has a contingent insurance claim receivable which has not been included on its balance sheet. The claim arises from the business interruption suffered as a result of the fire which disrupted production at the Project in 2014 when Atlantic owned the Project through its subsidiary companies, Midwest Vanadium and Atlantic Vanadium. On 19 April 2016, Atlantic announced that it had entered into a binding settlement deed (Settlement Deed) with 77.5% of the insurer group. We have included the settlement amount as a surplus asset.

Net debt

Net debt comprises of short and long term borrowings, cash on hand and restricted cash. We have valued net debt at fair market value, based on the most current management accounts and the terms attached to borrowings.

The Proposed Scheme is reasonable

In accordance with RG111 an offer is reasonable if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for Non-Associated Shareholders to accept the offer in the absence of any higher bid before the close of the offer.

The Proposed Scheme is fair and therefore it is also reasonable.

We also note the following factors:

The absence of alternative offers

Atlantic has not received any alternative offers and Management has indicated that they are not aware of any possible superior alternative offers.

The ability of Non-Associated Shareholders to dispose of their shares

Atlantic's shares were suspended from trading on the ASX on 5 February 2014 following the business interruption as a result of the fire at the Project. The Proposed Scheme provides Non-Associated Shareholders with the opportunity to sell their interests in Atlantic.

A future capital raising or a further forbearance on repayment of debt will be required

Atlantic will need to redeem convertible bonds and promissory notes held by Droxford by 6 April 2016 or negotiate a further debt forbearance. If this is not achieved, Atlantic would likely be placed into administration and shareholders would likely receive no proceeds due to the substantial amount of debt in the Company. The Proposed Scheme gives Non-Associated Shareholders certainty of receiving the Scheme Consideration for their interests in Atlantic.

Uncertainty about the resumption of production

Management has indicated that it would only resume operations at the Project if the vanadium price recovers to a level where the Project becomes economically viable, which is not expected to occur in the foreseeable future. The trigger price for redevelopment of the Project will be determined once Management has re-assessed the capital investment required after the Proposed Scheme has been implemented. In the absence of the Proposed Scheme the Non-Associated Shareholders are unlikely to receive a return on their investment for the foreseeable future.

Opinion

In our opinion, the Proposed Scheme is fair and reasonable to Non-Associated Shareholders and the Proposed Scheme is in the best interests of Non-Associated Shareholders.

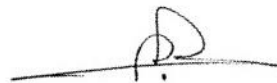
An individual shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

These opinions should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



Nicki Ivory
Authorised Representative
AR number 461005



Robin Polson
Authorised Representative
AR number 461010

Glossary

| Reference | Definition |
|----------------------------|---|
| AFSL | Australian Financial Services Licence |
| AMEC | AMEC Australia Pty Ltd |
| Announcement Date | 8 April 2016 which is the date on which the Proposed Scheme was announced |
| APESB | Accounting Professional and Ethical Standards Board Limited |
| AR | Authorised representative |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| Atlantic | Atlantic Limited |
| Atlantic Vanadium | Atlantic Vanadium Holdings Pty Ltd |
| AUASB | Auditing and Assurance Standards Board |
| AUD | Australian dollars |
| c. | Circa |
| capex | Capital expenditure |
| CAPM | Capital Asset Pricing model |
| CMB | Crushing, milling and beneficiation |
| Company, the | Atlantic Limited |
| CPI | Consumer price index |
| Damodaran | Aswath Damodaran |
| Deloitte Corporate Finance | Deloitte Corporate Finance Pty Limited |
| Director | Independent Director of Atlantic, Dr Mike Daniel |
| Droxford | Droxford International Limited |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| EFI | Energy Fuels Inc. |
| ELAS | Employee Loyalty and Alignment Share Plan for Atlantic employees |
| EMRP | Equity Market Risk Premium |
| ESIP | Executive Share Incentive Plan for Atlantic employees |
| FICS | Financial Industry Complaints Service |
| FOS | Financial Ombudsman Service |
| FSG | Financial Services Guide |
| FY14, FY15 | Financial years ending 30 June 2014, 2015 |
| Glencore | Glencore Plc |
| HiTi | High Titanium |
| HPGR | High Pressure Grinding Rolls |
| HSV | Highveld Steel and Vanadium |
| IBIS | IBIS World Pty Ltd |
| IER | Independent expert's report |
| Implementation Agreement | Scheme Implementation Deed between Atlantic and Droxford |
| K_d | Cost of debt capital |
| K_e | Cost of equity capital |
| kg | Kilogram |
| km | Kilometres |
| Largo | Largo Resources Limited |
| LOM | Life of mine |
| Management | Management of Atlantic |
| Midwest Vanadium | Midwest Vanadium Pty Ltd |
| Model, the | Financial model provided by Management for Windimurra |
| Morningstar | Morningstar, Inc. |
| MSCI Index | Morgan Stanley Capital International World Index |
| Mt | Millions of tonnes |
| NPV | Net present value |
| Offer, the | Offer to acquire Windimurra for a cash consideration of AUD250,000 |
| PMA | Precious Metals Australia |

| Reference | Definition |
|----------------------|--|
| Primero | Primero Group |
| Project, the | Windimurra |
| Proposed Scheme | Droxford's proposed acquisition of all of the outstanding shares it does not already own in Atlantic |
| R&D | Research and development |
| R_f | Risk free rate of return |
| RG111 | Regulatory Guide 111 Content of expert reports |
| RG112 | Regulatory Guide 112 Independence of experts |
| R_m | Expected return on the market portfolio |
| Scheme Booklet | Booklet prepared by Management containing the details of the Proposed Scheme |
| Scheme Consideration | Cash consideration of AUD0.003 per Atlantic share |
| Settlement Deed | The settlement deed agreed with 77.5% of the insurer group |
| t | Tonnes |
| tpa | Tonnes per annum |
| US | United States of America |
| USD | US dollars |
| V_2O_5 | Vanadium pentoxide |
| VRFB | Vanadium redox flow batteries |
| WACC | Weighted average cost of capital |
| Windimurra | The Windimurra vanadium and iron ore project |
| YTD | Year to date |
| β | beta |

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1 Overview of the Proposed Scheme

1.1 Summary

On the Announcement Date, Atlantic announced that it had entered into a Scheme Implementation Deed (the Implementation Agreement) under which Droxford will acquire all of the fully paid ordinary Atlantic shares on issue it does not already own for a cash consideration of AUD0.003 per share.

If the Proposed Scheme is approved by the Non-Associated Shareholders, Atlantic will be delisted from the ASX.

1.2 Background to Droxford

Droxford is incorporated in the British Virgin Islands. Droxford holds mining and other investments in Australia and elsewhere with a primary focus on investments in gold, coal, vanadium and iron ore projects. Droxford is the largest creditor of Atlantic and it is also the largest shareholder of Atlantic with a 17.42% interest.

The sole director and 100% shareholder of Droxford is Mr Anthoni Salim. Mr Salim controls a diversified conglomerate which owns interests in companies with interests in dairy products, flour milling, instant noodles, cooking oil, automobile assembly, property, insurance and retail.

1.3 Key conditions of the Proposed Scheme

The Proposed Scheme is subject to various conditions being satisfied, the most significant of which include the following:

- Foreign Investment Review Board approval
- the requisite majority of Non-Associated Shareholders approving the Proposed Scheme at the scheme meeting
- approval of the financial assistance resolution by the requisite majority of Atlantic shareholders under the Corporations Act 2001
- the receipt of third party consents such as parties to contracts involving Atlantic
- all necessary regulatory approvals being obtained
- no regulatory restraint before the implementation of the Proposed Scheme.

1.4 Intentions if the Proposed Scheme proceeds

If the Proposed Scheme is implemented, Droxford intends to continue to support Atlantic to implement a structured care and maintenance plan for the Project and consider options for its redevelopment when market conditions allow. In addition, Droxford intends to support Atlantic to continue negotiations with the minority insurers to settle Atlantic's business interruption insurance claim relating to the fire in the beneficiation plant at the Project in February 2014.

Droxford's final decisions on its strategy for Atlantic and on its assistance with finalising the insurance claim will only be made in light of all material facts and circumstances at the relevant time after implementation of the Proposed Scheme.

Refer to Section 2.5 for a detailed description of Management's strategy.

2 Profile of Atlantic

2.1 Introduction

Atlantic was previously engaged in the production of and exploration for vanadium and iron ore at the Project in Western Australia's Mid-West through its wholly owned subsidiaries, Midwest Vanadium and Atlantic Vanadium.

In 2014, a fire in the beneficiation plant resulted in cessation of operations at the Project. Due to the ongoing business disruption, Atlantic's shares were suspended on 5 February 2014 and have remained suspended as the Company and its financial sponsors considered the financial position of Midwest Vanadium and Atlantic Vanadium.

Discussions regarding a consensual restructure and future funding requirements of Midwest Vanadium and Atlantic Vanadium between Atlantic, the note holders and Droxford ceased on 11 February 2015, resulting in the then chairman of Atlantic appointing administrators to both Midwest Vanadium and Atlantic Vanadium. As a result, Atlantic lost control of these subsidiaries. Atlantic then became dormant with no operating activities.

In May 2015, the receivers of Midwest Vanadium and Atlantic Vanadium appointed independent advisors to manage a transparent sales process of the Project which resulted in a number of parties conducting due diligence and site visits. However, no binding offers were submitted to acquire the Project.

On 3 February 2016, Atlantic announced that it had submitted an offer to acquire the Project out of administration for AUD0.25million. With the support of its major shareholder and creditor, Droxford, Atlantic intended to acquire the Project under a newly incorporated 100% wholly-owned subsidiary of Atlantic. On 15 February 2016, Atlantic announced that the Offer had been approved by over 99% of creditors of Midwest Vanadium and Atlantic Vanadium at a creditors' meeting held on 12 February 2016. On 30 May 2016, Atlantic announced that it had completed the acquisition of the Project.

2.2 Windimurra and other assets

Atlantic has no major operations, other than the Project. We have therefore set out a brief description of the Project below.

2.2.1 Windimurra

The Project consists of nine granted mining licenses and six granted miscellaneous licenses in the Windimurra region. The Project contains an existing open pit, site infrastructure, plant area, an accommodation complex, a tailings dam, water bore fields and associated pipelines and access roads.

The Project is located in Western Australia, 600 kilometres (km) North-East of Perth and 80km South-East of Mount Magnet. It includes a partially completed processing plant with the potential of producing 4,800 tonnes per annum (tpa) of contained vanadium (Windimurra plant).

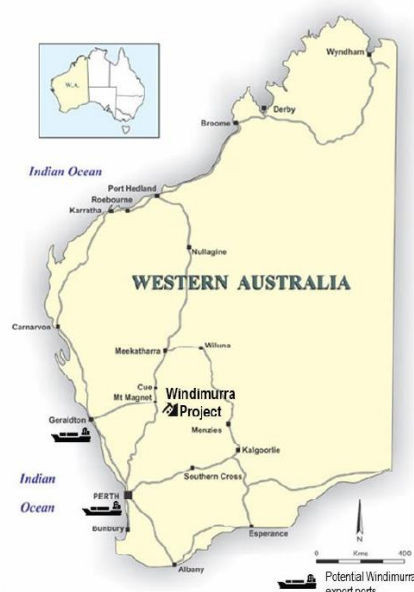
At the mine, an open cut mining method has been employed with an estimated strip ratio of 0.73:1 over the life of mine (LOM). The reported mineral resource is based on a 6km section of a 27km strike length within the mining tenements. A drilling exercise conducted in 2011 indicated significant potential to extend the mine's life and/or to develop higher grade satellite feeder open pits for the Windimurra plant.

In February 2014, a fire accident caused Midwest Vanadium to halt production resulting in Atlantic and Midwest Vanadium claiming insurance with a view to rebuilding the plant. A study conducted by the Primero Group (Primero) concluded that rebuilding it from scratch was the most efficient way of re-developing the plant and Primero was awarded the AUD15.9 million turnkey project. According to Midwest Vanadium, Primero had completed 96% of design, 56% of procurement, 35% of the construction work and total progress of 57% to completion at the time of the appointment of the administrators. Equipment replacement costs of approximately AUD11.9 million have been incurred to date.

The proximity of other vanadium prospecting companies represents an opportunity for processing third party vanadium ore, which may justify the significant investment required for reconstructing the vanadium processing plant under improved vanadium price conditions. In addition, the potential sale of high titanium direct shipping ore (HiTi) and iron ore fines to the steel industry present further opportunities.

The location of the Project is illustrated below.

Figure 1: Windimurra mine location



Source: Midwest Vanadium

2.2.2 History

The area of Windimurra has been the subject of exploration for various minerals, including nickel and vanadium. Since the 1960s, various exploration has been conducted specifically for vanadium.

The table below summarises key events in relation to the Project.

Table 3: Windimurra history

| Year | Commentary |
|---------|---|
| 1973-74 | First detailed work carried out by Hawkstone Minerals at Windimurra |
| 1989-98 | Precious Metals Australia (PMA) conducts two phases of detailed exploration and resource evaluation |
| 1998 | PMA forms Xstrata-PMA joint venture with Xstrata (now Glencore) to develop and operate the mine and associated processing facilities Approximately AUD115 million invested in the Project by Xstrata-PMA Western Australian State Government supports the investment with approximately AUD70 million to develop key infrastructure, including a gas pipeline and roads |
| 1999 | Mining commences at Windimurra in December Achieves monthly production rates of up to 370t contained vanadium |
| 2002 | Average monthly production rate in 2002 of ~250t contained vanadium |
| 2003 | Mining and production cease due to prolonged period of low vanadium prices The plant was subsequently decommissioned and a portion dismantled and liquidated |
| 2005 | 100% ownership of Windimurra transfers to Midwest Vanadium, a joint venture company owned 90% by PMA and 10% by commodities trading house, Noble Group |
| 2007 | Further drilling programme completed to extend the resource along strike |
| 2008 | Significant additional funds invested to re-develop the plant and infrastructure, aiming to recommence operations in 2009 |
| 2009 | PMA funding insufficient to complete plant Midwest Vanadium placed into receivership in February Windimurra placed into care and maintenance |
| 2010 | Atlantic acquires Windimurra and refinances Midwest Vanadium |
| 2011 | Atlantic completes construction of Windimurra |

| Year | Commentary |
|------|--|
| 2012 | Midwest Vanadium produced and sold its first vanadium in January 2012 Unable to produce vanadium at sustainable economic levels due to shortfalls of Crushing-Milling-Beneficiation circuit |
| 2014 | Hot work accident causes fire in beneficiation facility forcing Atlantic to halt vanadium production and commence an insurance funded rebuild process Studies conducted in the interim to replace the existing crushing and High Pressure Grinding Rolls (HPGR) comminution circuit with a SAG mill based comminution circuit |
| 2015 | Atlantic stakeholders unable to agree on terms to restructure the business resulting in the appointment of administrators, and subsequently, the receivers to Atlantic Vanadium and Midwest Vanadium |
| 2015 | Independent advisors are appointed to run a disposal process and a number of parties conduct due diligence and site visits, but no binding offers are submitted |
| 2016 | Atlantic submits an offer of AUD0.25 million to purchase Windimurra from its former subsidiaries and completes the acquisition in May 2016 |

Source: AMC, Midwest Vanadium

2.2.3 Defined resource

The Project has vanadium resources of 243 million tonnes (Mt) at 0.48% V₂O₅ (JORC Code 2004) comprising 50Mt of Measured, 142Mt of Indicated and 51Mt of Inferred resources.

2.2.4 Development plan and infrastructure

The Project has access to the following infrastructure:

- Port of Fremantle
- regular direct air services from Perth to Mount Magnet
- Port of Geraldton, circa (c.) 420km south-west of the project area.

The Project also benefits from a supporting network of gas and road infrastructure constructed specifically for the project, co-funded with a Western Australian government contribution of approximately AUD70 million in 1999.

2.3 Management

The management team comprise:

- Tony Veitch – Chief Commercial Officer and Company Secretary
- Scott Nicholas – Chief Financial Officer
- Terry Bourke – General Counsel

2.4 Recent acquisitions, disposals and joint ventures

Apart from the acquisition of the Project, Atlantic has not made any acquisition in the past five years.

2.5 Future strategy

Management intends to preserve capital by:

- keeping the Project under care and maintenance until vanadium prices recover to a level where the Project becomes economically viable on a sustainable basis. Management estimates the annual total care and maintenance costs to range between AUD3 million and AUD4 million per annum
- focus on operational efficiencies.

If the Proposed Scheme is implemented, Droxford's future strategy will involve:

- a detailed review of Atlantic's operations

- the delisting of Atlantic from the ASX
- the possible use of Atlantic as an investment vehicle for future acquisitions in Australia.

2.6 Capital structure

At the Announcement Date, Atlantic's capital structure comprises:

- 154,757,405 fully paid ordinary shares on issue, which includes 7,844,951 fully vested treasury shares held on behalf of executives and employees under two employee share incentive schemes
- promissory notes with a face value of \$20 million and bearing interest at 22.5% per annum
- convertible bonds with a total face value of AUD135.4 million and bearing interest at 17.5%-22.5% per annum.

2.6.1 Key shareholders

The top 10 shareholders of Atlantic as at the Announcement Date is summarised below.

Table 4: Top 10 shareholders

| Shareholder | No. of ordinary shares held | Percentage of issued shares |
|---------------------------------|-----------------------------|-----------------------------|
| Droxford International Limited | 26,958,333 | 17.4% |
| HSBC Custody Nominees Australia | 23,446,674 | 15.2% |
| JP Morgan Nominees Australia | 16,319,303 | 11.7% |
| Minosora, Michael John | 15,916,969 | 10.3% |
| Prosperous Global Assets | 13,496,214 | 8.7% |
| National Nominees | 9,678,906 | 5.1% |
| Citicorp Nominees | 6,575,630 | 4.2% |
| Plus Advantage | 6,200,000 | 4.0% |
| Atlantic Incentive Plan | 4,960,000 | 3.2% |
| Trinity Management Pty Ltd | 2,884,951 | 1.9% |
| Top 10 shareholders | 126,436,980 | 81.7% |
| Other holders | 28,320,425 | 18.3% |
| Total shares outstanding | 154,757,405 | 100.0% |

Source: Company website

2.6.2 Share plans

Atlantic has two share plans for directors and employees which comprise:

2.6.2.1 Employee Loyalty and Alignment Share Plan

Under the Employee Loyalty and Alignment Share Plan (ELAS) eligible employees are offered plan shares at prices determined by the Board. The Board can grant a loan to a participant for the purpose of subscribing for plan shares. The ELAS share awards are covered by newly issued plan shares and are therefore included in Atlantic's total fully paid ordinary shares, but are held as treasury shares within a share trust until a share price hurdle (AUD0.88/share) has been achieved. At the Announcement Date 2,884,951 ELAS shares were on issue and included in the 154,757,405 fully paid ordinary shares on issue.

2.6.2.2 Executive Share Incentive Plan

Under the Executive Share Incentive Plan (ESIP) eligible employees are offered plan shares at prices determined by the Board. The Board can grant a loan to a participant for the purpose of subscribing for plan shares. The ESIP share awards are covered by newly issued plan shares and are therefore included in Atlantic's total fully paid ordinary shares, but are held as treasury shares within a share trust until certain share price hurdles (AUD1.25/share to AUD1.875/share) have been achieved. At the Announcement Date 4,960,000 ESIP shares were on issue and included in the 154,757,405 fully paid ordinary shares on issue.

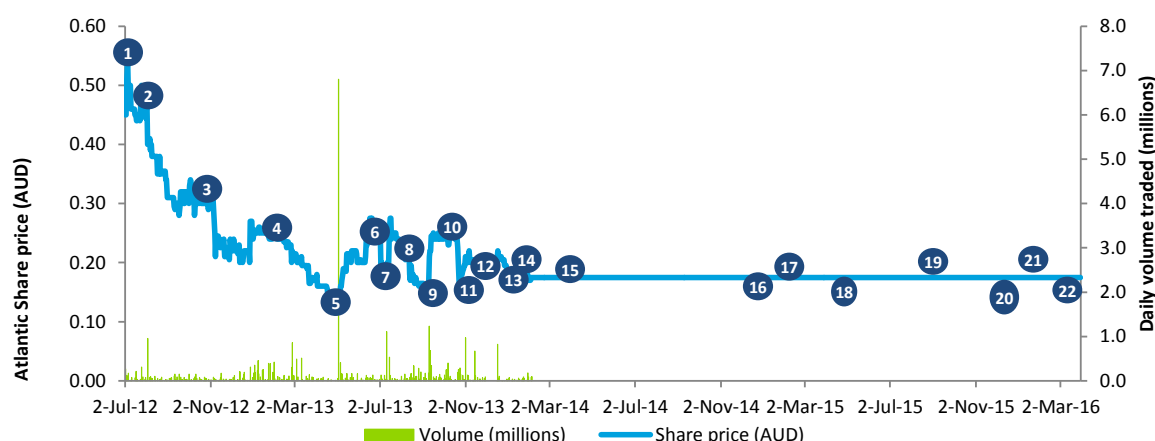
In the event the participant repays the loan and procures the transfer of the Atlantic shares prior to the implementation of the Proposed Scheme from ELAS or ESIP (as the case may be), they will be entitled to participate in the Proposed Scheme.

Otherwise, the loans will be repaid via the application of the Scheme Consideration following the transfer of the Atlantic shares under the Proposed Scheme with any shortfall to be borne by Atlantic.

2.7 Share price performance

Atlantic's shares have been suspended since 5 February 2014 due to a fire in the beneficiation plant at the Project.

Figure 2: Share Price



Source: Company website, ASX

Table 5: Major announcements

| Note | Date | Comments |
|------|-----------|---|
| 1 | 24-Jul-12 | Atlantic completes modification works on the crushing, milling and beneficiation (CMB) circuit |
| 2 | 06-Aug-12 | Midwest Vanadium secures a new convertible bond facility of up to AUD50 million with Droxford |
| 3 | 05-Jan-15 | Windimurra funding and project update provided to shareholders indicates it is behind schedule on planned ramp up |
| 4 | 30-Jan-13 | Atlantic investigates potential legal action against Mineral Resources for poor performance of the CMB circuit |
| 5 | 16-Apr-13 | Atlantic secures new short term unsecured facility with Droxford for AUD28.5 million |
| 6 | 02-Jul-13 | Atlantic announces maiden iron ore shipment. Iron ore production and sales eventually ceased at the end of 2013 due to low lump to fines ratio. |
| 7 | 12-Jul-13 | Midwest Vanadium secures new short term funding facility of AUD15.3 million with an Australian bank |
| 8 | 15-Aug-13 | Atlantic secures AUD20 million in funding from Droxford with all funding (existing and new) to be converted to new convertible bonds |
| 9 | 09-Sep-13 | Quarterly report indicates substantial step-up in vanadium production for the month of August |
| 10 | 16-Oct-13 | Atlantic secures AUD11.75 million in unsecured funding from Droxford |
| 11 | 23-Oct-13 | Atlantic receives a research and development rebate of AUD27.3 million |
| 12 | 02-Dec-13 | Atlantic shares placed into trading halt as it finalises AUD5.25 million in unsecured loans with Droxford |
| 13 | 17-Jan-14 | Atlantic continues legal investigations against Mineral Resources into problems arising from the CMB at Windimurra |
| 14 | 05-Feb-14 | Atlantic shares placed into trading halt as a result of a plant fire at Windimurra. Atlantic shares did not recommence trading on the ASX |

| Note | Date | Comments |
|------|-----------|--|
| 15 | 12-Mar-14 | Michael Minosora resigns as Chairman and Managing Director. Gary Lewis appointed Non-Executive Chairman and Daniel Harris appointed CEO. Midwest Vanadium secures further AUD29.7 million in funding from Droxford |
| 16 | 30-Jan-15 | Atlantic announces it has received AUD87 million in insurance claims relating to the CMB plant fire. Provides no guidance on outstanding amounts |
| 17 | 11-Feb-15 | Cessation of ongoing restructuring negotiations between Atlantic, Droxford and the note holders. Midwest Vanadium and Atlantic Vanadium are placed into administration |
| 18 | 06-May-15 | Atlantic enters into a forbearance agreement with Droxford that it will not take any action to accelerate any of its convertible bond or promissory note debts that matured in March 2015 until 6 October 2015 |
| 19 | 07-Oct-15 | Atlantic enters into a further forbearance agreement to extend the period of forbearance to 6 April 2016 |
| 20 | 03-Feb-16 | Atlantic submits an offer to acquire Windimurra with the support of Droxford for AUD0.25 million |
| 21 | 15-Feb-16 | Atlantic announces that the offer to acquire Windimurra has been approved by over 99% of creditors of both Midwest Vanadium and Atlantic Vanadium at a creditors' meeting held on 12 February 2016 |
| 22 | 30-May-16 | Atlantic announces that it has completed the acquisition of Windimurra |

Source: Company announcements, ASX

2.8 Financial performance

The following table sets out Atlantic's consolidated income statement for the financial years ended 30 June 2014 (FY14), 30 June 2015 (FY15) and company only performance for the 8 months ended 29 February 2016.

Table 6: Income statement

| (AUD'000) | Audited 12 months 30-Jun-14 | Audited 12 months 30-Jun-15 | Unaudited 8 months 29-Feb-16 |
|---|-----------------------------------|-----------------------------------|------------------------------------|
| Trading Revenue | 16,038 | 4,244 | 85 |
| Cost of sales | (65,727) | (5,075) | - |
| Gross loss | (49,689) | (831) | 85 |
| Selling and distribution expenses | (627) | (571) | - |
| Other net operating income/(expenses) | 75,694 | (41,873) | (475) |
| Corporate expenses | (15,321) | (10,124) | (1,222) |
| Inventory net realisable value expenses | (7,920) | - | - |
| Impairment | (478,463) | (24,569) | - |
| Gain on deconsolidation of subsidiaries | - | 559,989 | - |
| EBITDA | (476,326) | 482,021 | (1,612) |
| Depreciation and amortisation | (5,777) | (138) | - |
| EBIT | (482,103) | 481,883 | (1,612) |

Source: Management accounts, Deloitte Corporate Finance analysis

Notes

1. EBITDA – earnings before interest, tax, depreciation and amortisation
2. EBIT – earnings before interest and tax

With regard to the financial performance for Atlantic, we note the following:

- revenue decreased by 74% from AUD16.0 million to AUD4.2 million. The share of revenue from sale of iron ore declined from AUD10.3 million in FY14 to AUD0.7 million in FY15. Meanwhile, the revenue from vanadium declined from AUD5.7 million to AUD3.5 million. This was mainly attributable to the fire at the beneficiation plant and the resulting business interruption which led to the Project being placed in care and maintenance

- cost of sales include mining expenses pertaining to vanadium of AUD4.8 million (FY14 – AUD52.8 million) and iron ore of AUD0.3 million (FY14 – AUD12.1 million)
- other net operating income/(expenses) include the following:

Table 7: Summary of net operating income/ (expenses)

| (AUD'000) | Audited 30-Jun-14 | Audited 30-Jun-15 |
|--|----------------------|----------------------|
| Care and maintenance post beneficiation plant fire | (19,312) | (16,418) |
| Foreign exchange gain/(loss) | 5,248 | (86,898) |
| Fair value movement of convertible bond derivative | 50,584 | - |
| Fair value movement of gas contract derivative | (743) | - |
| Interest revenue | 95 | 266 |
| Insurance claim proceeds | 26,250 | 61,003 |
| Research and development tax incentive | 16,039 | - |
| Sundry income | 448 | 174 |
| Loss of assets from beneficiation plant fire | (2,915) | - |
| Total | 75,694 | (41,873) |

Source: Atlantic annual report 2015

- impairment charges relate to the impairment of property plant and equipment of AUD21.2 million and impairment of receivables of AUD3.4 million. Of the AUD21.2 million, AUD17.4 million relates to assets under construction and AUD3.8 million relates to mine properties and development
- gain on deconsolidation refers to the gain accrued as a result of placing Atlantic Vanadium and Midwest Vanadium in administration and receivership.

2.9 Financial position

The following table sets out Atlantic's consolidated financial position as at 30 June 2014, 30 June 2015 and company only financial position as at 29 February 2016.

Table 8: Financial position

| | Audited 12 months 30-Jun-14 | Audited 12 months 30-Jun-15 | Unaudited 8 months 29-Feb-16 |
|--------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| (AUD'000) | | | |
| Cash and cash equivalents | 8,075 | 5,957 | 3,990 |
| Trade and other receivables | 17,970 | 96 | - |
| Inventory | 12,480 | - | - |
| Other current assets | 2,389 | 279 | 5,698 |
| Current assets | 40,914 | 6,332 | 9,687 |
| Property, plant and equipment | 18,534 | - | - |
| Non-current assets | 18,534 | - | - |
| Assets | 59,448 | 6,332 | 9,687 |
| Trade and other payables | 69,311 | 16,756 | 20,407 |
| Loans and borrowings | 608,649 | 262,541 | 286,209 |
| Provisions | 3,575 | 168 | 334 |
| Current liabilities | 681,535 | 279,465 | 306,951 |
| Provisions | 42,930 | - | - |
| Non-current liabilities | 42,930 | - | - |
| Liabilities | 724,465 | 279,465 | 306,951 |
| Net liabilities | (665,017) | (273,133) | (297,264) |

Source: Company annual reports, Deloitte Corporate Finance analysis

With regard to the financial position of Atlantic, we note the following:

- trade and other receivables declined from AUD18.0 million to AUD0.1 million. It comprised a research and development (R&D) tax incentive of AUD16.0 million which was received by Midwest Vanadium during the year. Sundry receivables increased from AUD0.4 million in FY14 to AUD3.4 million in FY15; however, there has been an increase in the provision for doubtful debts from nil in 2014 to AUD3.4 million in 2015. This balance relates to insurance claim proceeds erroneously paid by insurers to Midwest Vanadium instead of to Atlantic
- the inventory balance has reduced from AUD12.5 million in FY14 to nil in FY15 as a result of the deconsolidation of Midwest Vanadium and Atlantic Vanadium
- the other current assets balance as at 29 February 2016 include AUD4.1 million of loans receivable from a wholly-owned dormant subsidiary (Azure Mining), which is eliminated on consolidation
- similarly, the property, plant and equipment balance has reduced from AUD18.5 million in FY14 to nil in FY15
- trade and other payables include the interest payable on borrowings
- loans and borrowings have decreased from AUD608.6 million in FY14 to AUD262.5 million in FY15. As of 29 February 2016, the loans and borrowings consist of promissory notes and convertible bonds both of which are held by Droxford.

3 Valuation of Atlantic

3.1 Introduction

For the purpose of our opinion, fair market value is defined as the amount at which the shares in Atlantic would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

Refer to Appendix B for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses.

3.2 Selection of valuation methodologies

We have assessed the equity value of Atlantic using a sum of the parts approach, which requires the aggregation of the fair market value of the Project, before adding the value of surplus assets and deducting net debt.

The sum of the parts methodology has been applied to the following key assets using the valuation methodologies described below:

- the Project - the capitalised care and maintenance costs and the cash consideration paid under the Offer
- surplus assets - based on the fair value of the contingent insurance claim receivable
- net debt position - based on the current face value of cash on hand and amounts due under short and long term borrowings as presented in the most current management accounts and the terms attached to long-term borrowings.

In addition, we have also considered the discounted cash flows presented in the Model to provide additional evidence of the fair market value of the Project.

3.3 Sum of the parts valuation

3.3.1 Enterprise value of the Project

Management has provided us with the Model, which includes projected cash flows, in real terms, for the potential operations of the Project. The Model, which was prepared by Management in 2014 for debt restructuring purposes, has not been updated to reflect current market conditions or possible project redevelopment strategies. The Project remains in care and maintenance and Management has indicated that it will only resume production at the Project if vanadium prices recover to a level where the Project becomes economically viable, which is not expected to occur in the foreseeable future. We have therefore only used the Model to determine whether any upside optionality exists and as a cross-check to our primary enterprise value range.

We have therefore considered the following primary methods of attributing a fair market value to the Project:

- capitalising the estimated care and maintenance costs in perpetuity
- the Project purchase consideration.

The assessed enterprise value of the Project is summarised in the following table.

Table 9: Windimurra enterprise value

| | Unit | Low | High |
|---------------------------|-------------|--------|------|
| Assessed enterprise value | AUD million | (20.0) | 0.3 |

Source: Deloitte Corporate Finance analysis

3.3.1.1 Care and maintenance costs

Management has indicated that annual care and maintenance costs are likely to range between AUD3 million and AUD4 million. The upper end of the range takes additional drilling costs into account as part of the process to improve the efficiencies of the mine plan. We have not considered the impact of the potential tax shield on these costs, on the assumption that the Company will not generate taxable income to benefit from the tax shield under this scenario.

The value range, based on capitalising care and maintenance costs at the discount rate range, is summarised below.

Table 10: Care and maintenance cost

| (AUD million) | Low | Mid | High |
|--|--------|--------|--------|
| Capitalised care and maintenance costs | (20.6) | (20.0) | (19.4) |

Source: Deloitte Corporate Finance analysis

We have selected the midpoint of the above value range as the low end of the enterprise value of the Project.

3.3.1.2 Project purchase consideration

Prior to Atlantic submitting the Offer, the receivers of Midwest Vanadium and Atlantic Vanadium appointed independent advisors in May 2015 to manage a transparent sales process of the Project. We understand from Management that, although a number of parties conducted due diligence and site visits, no binding offers were submitted to acquire the Project. Atlantic then submitted an offer to acquire the Project for a notional amount of AUD0.25 million, which was subsequently accepted by 99% of creditors. The transaction was completed in May 2016.

We have selected the purchase price of AUD0.25 million as the high end of the enterprise value of the Project.

3.3.1.3 Cross check

Refer to Appendix D for the detailed work on the discounted cash flow valuation of the Project based on the Model.

We conclude that the enterprise value range, which is negative AUD274 million to negative AUD278 million, provides support for Management's stated intention to keep the Project in care and maintenance until vanadium prices have recovered to a level where the Project becomes economically viable and that this is not expected to occur in the foreseeable future. There are also limited scenarios where the enterprise value becomes positive, and these are all price related. The only scenario where the enterprise value becomes positive is where the price is above USD28/kg.

3.3.2 Other surplus assets

The following table sets out Atlantic's surplus assets.

Table 11: Other surplus assets

| | (AUD million) |
|-------------------------------------|---------------|
| Insurance claim proceeds receivable | 16.0 |
| Total other surplus assets | |

Source: Atlantic

In 2014, a fire destroyed a part of the Windimurra plant, resulting in the cessation of business operations. Atlantic and its then subsidiary, Midwest Vanadium, which is now in receivership, submitted insurance claims for financial damages suffered as a consequence of business interruption. Atlantic had contributed to the payment of insurance premiums resulting in Atlantic having the right to a portion of the total claim. To date, Atlantic and Midwest Vanadium have received AUD87 million in total.

We have had sight of the binding Settlement Deed which confirms Atlantic's portion of the outstanding claim being AUD20.6 million. The document also indicates that Atlantic and Midwest Vanadium have reached an agreement with 77.5% of the insurer group for a settlement with Atlantic's portion being AUD16 million (77.5% of the AUD20.6 million outstanding). Discussions with the remaining 22.5% of the insurer group regarding settlement are still ongoing.

Atlantic has not included this settlement amount on its balance sheet as a receivable; however, we have included the component that has already been agreed as a surplus asset at face value given Management's expectation of settlement in the near term.

3.3.3 Net debt

Atlantic's net debt position is set out below.

Table 12: Net cash/(debt)

| | (AUD million) |
|--------------------------------------|----------------|
| Current interest bearing liabilities | (332.5) |
| Cash | 3.2 |
| Net cash/(debt) | (329.3) |

Source: Atlantic management accounts

We note the following with regard to net debt:

- current interest bearing debt relates to AUD20 million promissory notes issued to Droxford, bearing interest at 22.5% per annum, and accrued interest of AUD13.7 million.

The promissory notes comprise the following:

Table 13: Promissory notes

| Promissory notes | | |
|------------------|-------------------|----------------------------|
| Issue date | Interest rate (%) | Issue Amount (AUD million) |
| 1/10/2013 | 22.5% | 6.5 |
| 15/10/2013 | 22.5% | 5.3 |
| 25/10/2013 | 22.5% | 3.0 |
| 2/12/2013 | 22.5% | 5.3 |
| Total | | 20.0 |

Source: Deloitte Corporate Finance analysis

- the remaining current interest bearing liabilities of AUD298.8 million relates to convertible bonds with a total face value of AUD135.4 million and accrued interest also owing to Droxford. The convertible bonds bear interest at between 17.5% and 22.5% per annum.

The convertible bonds are summarised below.

Table 14: Convertible bonds

| Convertible bonds | | | |
|---|------------|-------------------|----------------------------|
| Tranche | Issue date | Interest rate (%) | Issue Amount (AUD million) |
| Class A Bonds - First Tranche Interest | 7/03/2012 | 17.50% | 20.0 |
| Class A Bonds - Second Tranche Interest | 30/03/2012 | 17.50% | 10.0 |
| Class B Bonds - First Tranche Interest | 8/08/2012 | 22.50% | 10.0 |
| Class B Bonds - Second Tranche Interest | 15/08/2012 | 22.50% | 20.0 |
| Class B Bonds - Third Tranche Interest | 2/10/2012 | 22.50% | 10.0 |
| Class B Bonds - Fourth Tranche Interest | 22/10/2012 | 22.50% | 10.0 |
| Class C Bonds - First Tranche Interest | 11/03/2013 | 22.50% | 5.0 |
| Class C Bonds - Second Tranche Interest | 11/04/2013 | 22.50% | 5.0 |
| Class C Bonds - Third Tranche Interest | 22/04/2013 | 22.50% | 20.4 |
| Class C Bonds - Fourth Tranche Interest | 29/04/2013 | 22.50% | 5.0 |
| Class D Bonds | 15/08/2013 | 22.50% | 20.0 |
| Total | | | 135.4 |

Source: Deloitte Corporate Finance analysis

- the conversion of Class C and D Bonds is no longer available as shareholder approval was not obtained. The conversion option is available for Class A and B Bonds
- all of the promissory notes and convertible bonds are due and payable on 6 April 2016 in accordance with a forbearance agreement entered into with Droxford. Droxford has indicated to Atlantic that it does not intend to extend the forbearance period in the event the Proposed Scheme is not approved by the requisite majority of Atlantic shareholders
- cash includes cash at bank and on hand, short term deposits and other financial assets that consist of term deposits with financial institutions with maturities of greater than three months.

3.4 Conclusions

The fair market value of an Atlantic share using the sum of the parts method is summarised in the following table.

Table 15: Sum of the parts valuation

| | | Unit | Low | High |
|--|-------|--------------------|-----------------|----------------|
| Windimurra Project | 3.3.1 | AUD million | (20.0) | 0.3 |
| Enterprise value | | AUD million | (20.0) | 0.3 |
| Surplus assets | 3.3.2 | AUD million | 16.0 | 16.0 |
| Net cash/(debt) | 3.3.3 | AUD million | (329.3) | (329.3) |
| Equity value (on a control basis) | | AUD million | (333.3) | (313.0) |
| Number of shares on issue | | million | 154.8 | 154.8 |
| Value per Atlantic share (on a control basis) | | AUD | (2.15) | (2.02) |
| Value per Atlantic share (selected) | | AUD | nil | nil |

Source: Deloitte Corporate Finance analysis

3.5 Recent share trading

Atlantic's shares were suspended from trading on the ASX on 5 February 2014 following the business disruption caused by a fire at the Project. The Project was placed in care and maintenance and Atlantic's shares remain suspended.

Appendix A: Context to the Report

Individual circumstances

We have evaluated the Proposed Scheme for the Director and Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is fair and reasonable and in the best interests of Non-Associated Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Director of Atlantic and is to be included in Atlantic's Scheme Booklet to be given to Non-Associated Shareholders to assist them in their decision to vote for or against the Proposed Scheme. Accordingly, it has been prepared only for the benefit of the Director and those persons entitled to receive Atlantic's Scheme Booklet for their assessment of the Proposed Scheme outlined in the Scheme Booklet and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the shareholders and Atlantic, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Scheme. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Scheme is in the best interests of the Non-Associated Shareholders. Deloitte Corporate Finance consents to this report being included in the Scheme Booklet in the form and context in which it is to be included in the Scheme Booklet.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Atlantic and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Atlantic and its officers, employees, agents or advisors, Atlantic has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Atlantic may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Atlantic and its officers, employees, agents or advisors or the failure by Atlantic and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of Atlantic personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Atlantic included in this report has been prepared on a reasonable basis in accordance with RG111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Atlantic referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Nicki Ivory, Authorised Representative AR Number 461005, B.Com, CA, CFA and Robin Polson, Authorised Representative AR Number 461010, B.Com, Grad. Dip. App. Fin. Inv. Nicki and Robin each have many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 123 St Georges Terrace, Perth, WA, 6000 acknowledges that:

- Atlantic proposes to issue a disclosure document in respect of the transaction between Droxford and the holders of Atlantic securities (the Scheme Booklet)
- the Notice of meeting will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Scheme Booklet for review
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report in Annexure 1.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report in Annexure 1 of the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included in Annexure 1.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- the draft Scheme Booklet
- unaudited interim financial statements for Atlantic for the period ending December 2015 and unaudited management accounts for February 2016
- annual report/s for Atlantic for FY14 and FY15
- the asset sale deed relating to the acquisition of Windimurra
- the binding Settlement Deed relating to the insurance claim settlement
- the Project Vantage Information Memorandum prepared by the independent advisors in relation to the sale of Windimurra, which includes information sourced from industry experts
- ASX announcements released by Atlantic
- annual reports for comparable companies
- Atlantic company website
- company website for comparable companies, including Largo Resources
- publicly available information on comparable companies and market transactions published by ASIC, Thomson research, S&P Capital IQ, and Mergermarket
- IBIS company and industry reports
- other publicly available information, media releases and brokers reports on Atlantic and comparable companies and the vanadium mining industry.

In addition, we have had discussions and correspondence with Tony Veitch, Chief Commercial Officer, and Dr Mike Daniel, Non-Executive director.

Appendix B: Valuation methodologies

To estimate the fair market value of the securities in Atlantic we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

Appendix C: Vanadium industry

Vanadium is a soft, ductile, silver-grey metal that is used primarily with iron to make metal alloys for high-strength steel production. This steel has a wide-range of applications including oil and gas pipelines and in the reinforcement of bars used in the building and construction industry. Vanadium is also used in the chemical industry. A small percentage is used in battery technology, particularly for electric and hybrid vehicles and energy storage for renewable and conventional energy.

Overview

Vanadium is found as a trace element in various metal ores including magnetite, bauxite, sandstones with high uranium content and carbon-rich deposits such as coal, oil shale, crude oil and tar sands.

Vanadium production is undertaken using three methods:

- primary production – ore-mined and processed for V_2O_5 and vanadium. 24% of vanadium is derived using this method
- co-production – the slag from steel production contains vanadium as a by-product. This is the most common and low-cost method of producing vanadium and 64% of vanadium produced is derived using this method
- secondary production – residues from refining resources such as crude oil, high-vanadium content coal or oil can be used for vanadium production. Typically, this method has a higher production cost and is therefore infrequently used. Only 12% of vanadium produced is derived using this method.

On the basis of the above, the success of vanadium mining companies is largely influenced by vanadium prices which are driven by demand from industries that require vanadium such as building, construction and chemicals, local production costs and macroeconomic factors such as exchange rates.

Key drivers

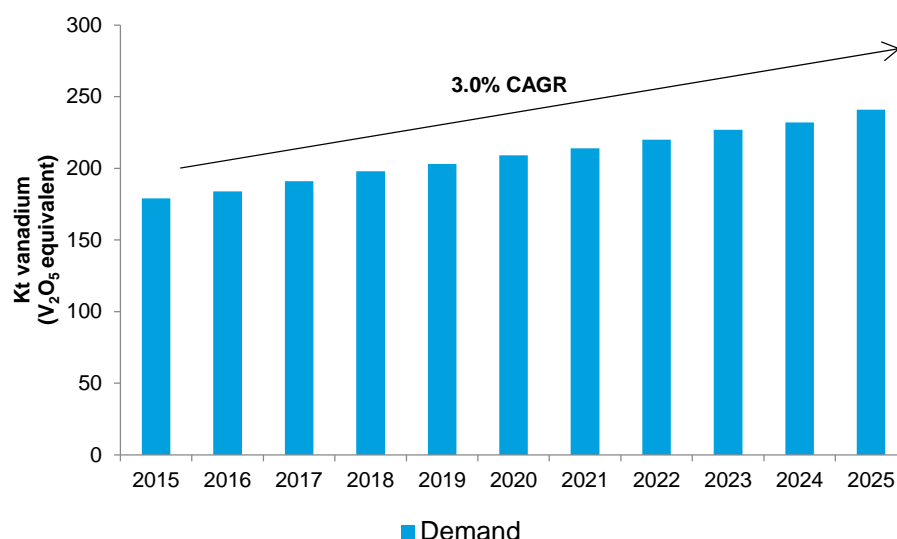
Exploration and production of vanadium is largely influenced by the following:

- demand from industries – the growing importance of renewable energy and the expected recovery in consumption of steel due to the long-term growth in demand from the construction industry are expected to have a significant impact on long-term prices. This influences the level of exploration and production activity
- vanadium prices – commercial viability of the projects is impacted by international vanadium prices, which influence the exploration and production of vanadium
- global economic conditions – demand for vanadium is largely influenced by specific sectors that are correlated with the state of the economy, which in turn influence the price. The exploration and production of vanadium therefore move parallel with the global economic performance
- regulatory – as the emphasis on renewable energy grows, the automotive sector of electric and hybrid cars are likely to be positively impacted, thereby impacting exploration activity levels
- economic viability – since 64% of the vanadium is recovered from steel slag, the exploration of vanadium is largely dependent on the economic viability of manufacturing of steel. For example, Highveld Steel and Vanadium's (HSV) plant was closed down due to the decline in steel manufacturing's profitability
- exchange rates – depreciation in the exchange rates is likely to improve margins; the forecast exchange rate is an important aspect of the future viability of mining operations.

Demand

Over 90% of global demand for vanadium is from the steel industry. Historically, there has been a correlation between the demand for vanadium and the demand for steel. The following graph sets out the forecast demand for vanadium:

Figure 3: Forecast vanadium demand



Source: *Largo Resources vanadium trends 2016*

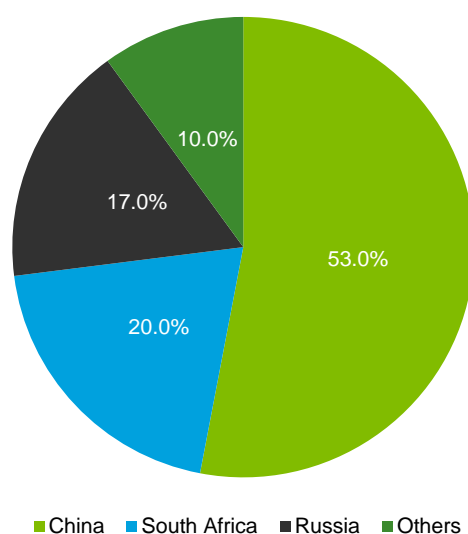
Through 2025, the demand for steel is expected to grow at a CAGR of less than 1%. However, the anticipated growth in demand from end-users is expected to boost the demand for vanadium resulting in 3% CAGR over the same period. China has adopted new rebar standards – these rebar standards require the use of larger quantities of vanadium, thus leading to an increase in demand.

Vanadium has also experienced an increase in demand from the battery technology industry. Energy from renewable sources is expected to meet the increasing energy needs. However, the energy from these sources cannot be used on demand thus requiring the energy generated to be stored. Vanadium redox flow batteries (VRFB) enable storage of this energy. Legislation has been enacted in markets such as the US and the European Union for inclusion of energy storage in public policy. This is expected to increase the demand for vanadium.

Global supply

Presently, the supply of vanadium is concentrated within three countries namely China, South Africa and Russia which contribute approximately 90% of the total vanadium output. The graph on the following page details each country's vanadium output as a percentage of global vanadium supply.

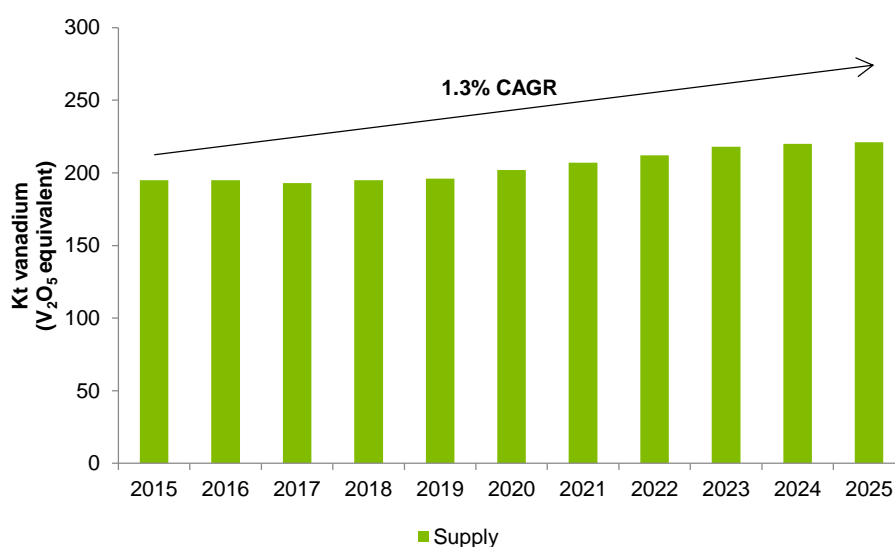
Figure 4: Vanadium output by country



Source: Largo Resources vanadium trends 2016

China is expected to lose market share due to its relatively high cost of production. The forecast global supply from 2015 through 2025 is as follows:

Figure 5: Forecast vanadium supply



Source: Largo Resources vanadium trends 2016

The expected drivers for the global forecast supply include sustained growth in demand which is negated over the next five years by Chinese production and output remaining relatively flat and the shutdown of the HSV plant, which produced 11% of global vanadium output.

Vanadium prices

Since vanadium is not openly traded, the market is considered opaque. Data regarding demand and supply is difficult to develop; this could result in market confusion and rapid price appreciation during uncertain times. Vanadium prices decreased from c.USD 29/kg in 2011 to c.USD 22/kg in 2012 before recovering to c.USD 26/kg in 2013. Since then, prices have decreased to c.USD14.6/kg at the Announcement Date.

This is attributable to low demand from China. The decline in metal prices in 2015 further impacted the vanadium price.

The above projections for demand and supply have been based on price projections of USD18 –USD21/kg equilibrium vanadium prices, which we have sourced from Largo’s web site.

Industry outlook

Historically, vanadium demand has been primarily reliant on the demand for steel. Industry experts believe that while steel is still expected to be regarded as the primary end use for vanadium, the demand for vanadium will also increase due to the adoption of new rebar standards by the Chinese government. Similarly, the commercialisation of VRFB is also expected to have a favourable impact on the demand for vanadium.

The industry experts expect the ramp-up in production by Largo’s Marcas mine and other projects by miners such as Bushveld Resources, Syrah Resources, Rutila Resources and TNG Limited to close the demand and supply gap.

Appendix D: Enterprise value cross check

We have made amendments to the Model to reflect our selected commodity price, foreign exchange and inflation rate assumptions. Our consideration of these assumptions is set out below.

Economic assumptions

Commodity prices

The Project is projected to produce significant vanadium over its remaining LOM of 21 years. In considering appropriate price estimates for vanadium, we have had regard to the following:

- consensus price forecasts for vanadium producers and sellers
- forecasts prepared by vanadium industry specialists
- forecast prepared by Management
- current spot price of vanadium
- other publicly available industry estimates and commentary, including but not limited to industry research and brokers' estimates.

Based on our analysis, we have adopted the following vanadium prices on a real basis:

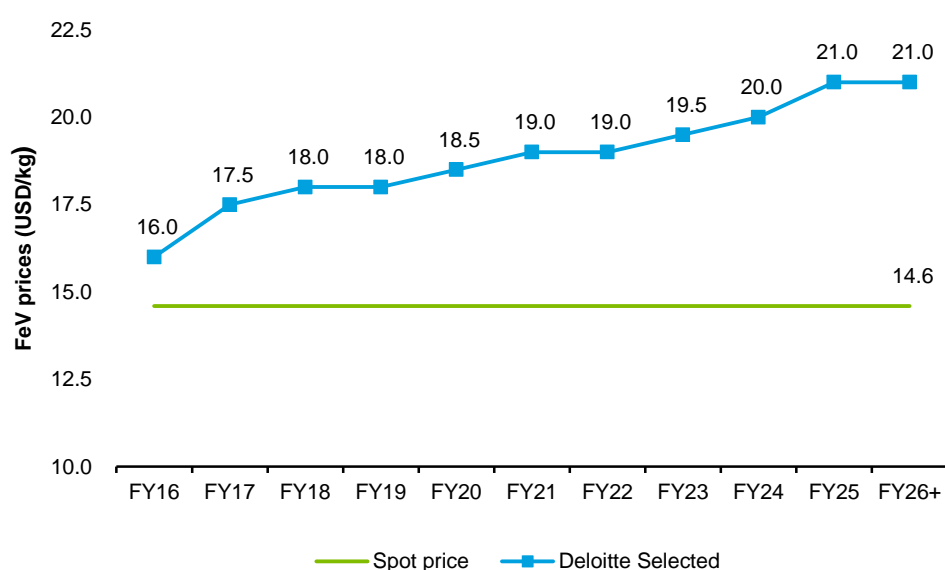
Table 16: Selected commodity prices

| USD real | Unit | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26+ |
|----------|------|------|------|------|------|------|------|------|------|------|------|-------|
| Vanadium | kg | 16.0 | 17.5 | 18.0 | 18.0 | 18.5 | 19.0 | 19.0 | 19.5 | 20.0 | 21.0 | 21.0 |

Source: Deloitte Corporate Finance analysis

We note that market forecast prices represent a 10%-44% premium to the spot price at the Announcement Date as illustrated below:

Figure 6: Market forecast prices versus spot price



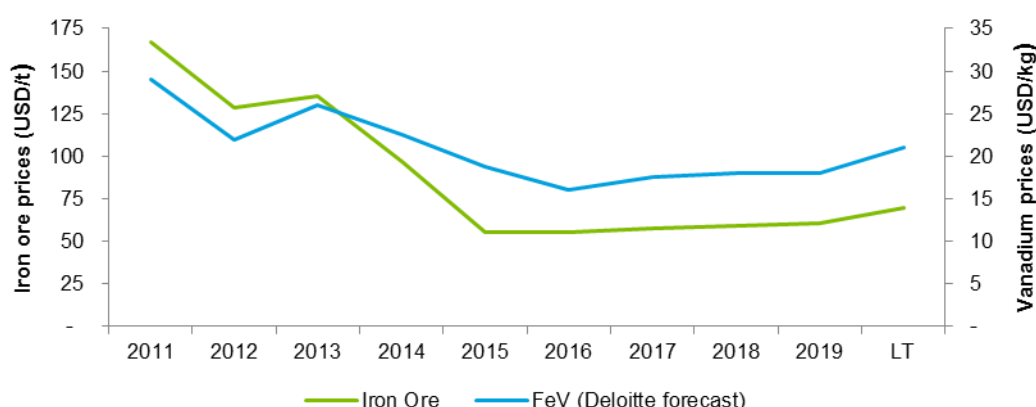
Source: Deloitte Corporate Finance analysis, Metal Bulletin

Although we have selected a price curve for this commodity, we have also undertaken sensitivity analysis on our selected assumptions. Refer to the sensitivity section for further details on the sensitivity analysis undertaken on our valuation of the Project.

We note that our selected vanadium prices imply a long term real price of USD21/kg, which is significantly higher than the current price of USD14.6/kg. Although most industry analysts are projecting an increase in vanadium prices going forward, the vanadium industry has experienced a significant downturn in the past year. Refer to Appendix C for a brief industry overview. Given that vanadium is used as an input to make certain types of steel, we have considered the historical and forecast pricing relationship between USD vanadium and USD iron ore pricing through economic and industry cycles.

The following figure sets out the historical and forecast USD vanadium and iron ore pricing:

Figure 7: Vanadium and iron ore prices



Source: Deloitte Corporate Finance analysis, SNL, Analyst Reports, Capital IQ, analyst consensus

Note:

1. Consensus forecast range for USD vanadium prices are based on consensus estimates and our selected foreign exchange rate assumptions
2. Consensus forecast range for USD iron ore prices is based on consensus estimates

Based on the above, we note that the consensus forecast pricing of vanadium and iron ore are closely related.

The projected cash flows presented in the Model for the Project are in AUD in real terms. However the forecast pricing for vanadium is in USD and converted to AUD. To convert the USD denominated vanadium prices to the equivalent real AUD denominated prices for each period, we have made the following adjustments:

Foreign exchange

To convert the USD vanadium prices to AUD vanadium prices for each period, we have had regard to the following:

- historical and current AUD:USD exchange rates
- historical and forecast inflation differentials between Australia and the United States (US). Refer below for further details on our selected inflation rate assumptions
- the AUD:USD exchange rate forward curve
- forecasts prepared by economic analysts and other publicly available information, including analyst forecasts.

Based on the above, we have adopted the following AUD:USD exchange rates:

Table 17: Exchange rate

| | FY16 | FY17 | FY18 | FY19 | FY20 | Long Term |
|---------|------|------|------|------|------|-----------|
| AUD:USD | 0.74 | 0.70 | 0.69 | 0.71 | 0.74 | 0.72 |

Source: Deloitte Corporate Finance analysis

Inflation

In order to inflate our USD vanadium prices to convert to a nominal AUD equivalent for each period, and then deflate the AUD nominal vanadium prices to a real equivalent, we have made both USD and AUD inflation assumptions. In estimating inflation, we have had regard to the following:

- historical and current Australian and US Consumer Price Index (CPI)
- forecast inflation targets set by the Australian Federal reserve bank and the US Federal Reserve
- forecast inflation targets set by economic analysts and other publicly available information, including analyst forecasts.

Based on the above, we have adopted the following inflation rates:

Table 18: Inflation rate forecasts

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------|------|------|------|------|------|
| Australia | 2.2% | 2.8% | 2.8% | 2.4% | 2.6% |
| United States | 1.3% | 2.0% | 2.4% | 1.5% | 1.8% |

Source: Deloitte Corporate Finance analysis

Operations

We have adopted the discounted cash flow method to value the Project. The discounted cash flow method estimates fair market value by discounting a project's future cash flows to their net present value.

Management has prepared detailed cash flow projections for the Project based on the proposed 2014 revised mine and operations plans, supported by technical analysis performed by engineering firm AMEC Australia Pty Ltd (AMEC). The cash flows project AUD denominated real after tax cash flows up to and including the year ending 2037, implying a 21 year LOM.

Future cash flows

We have performed an analysis of the cash flow projections and the Model, including:

- analysing the Model, including limited procedures regarding the mathematical accuracy of the Model (but have performed neither a detailed review nor an audit of the Model)
- review of the basis of the underlying assumptions such as revenue, operating expenditure, capital expenditure
- holding discussions with Management concerning the preparation of the projections, and their views regarding the assumptions on which they are based
- updating the Model for changes arising from Management discussion and from recent data points.

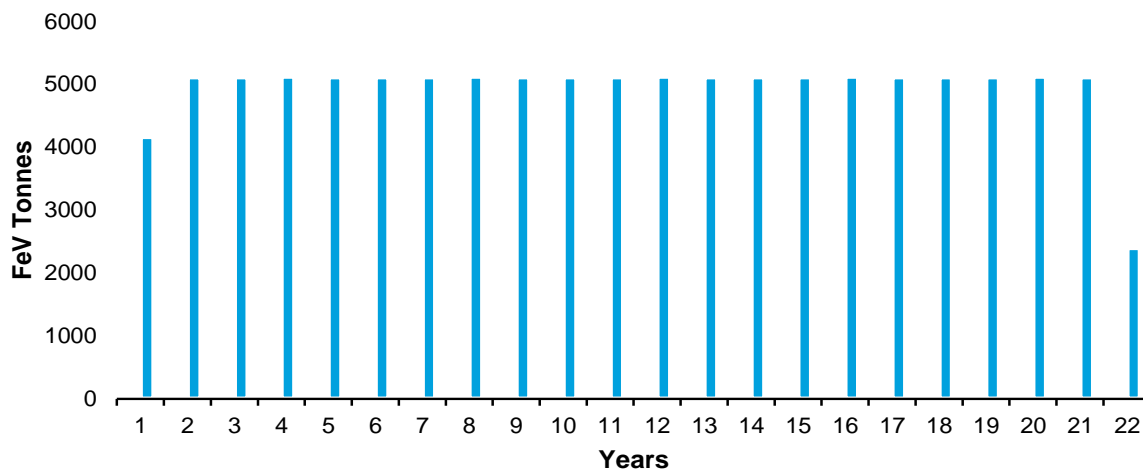
The key assumptions adopted in the preparation of the cash flow projections, and the adjustments we have made, are discussed below.

Revenue

Revenue is a function of the quantity and price of saleable products, which are discussed in the following page.

The figure below shows the production profile for vanadium over the LOM of the Project.

Figure 8: Windimurra vanadium production



Source: Windimurra Model, Deloitte Corporate Finance analysis

We note the following in relation to the figure above:

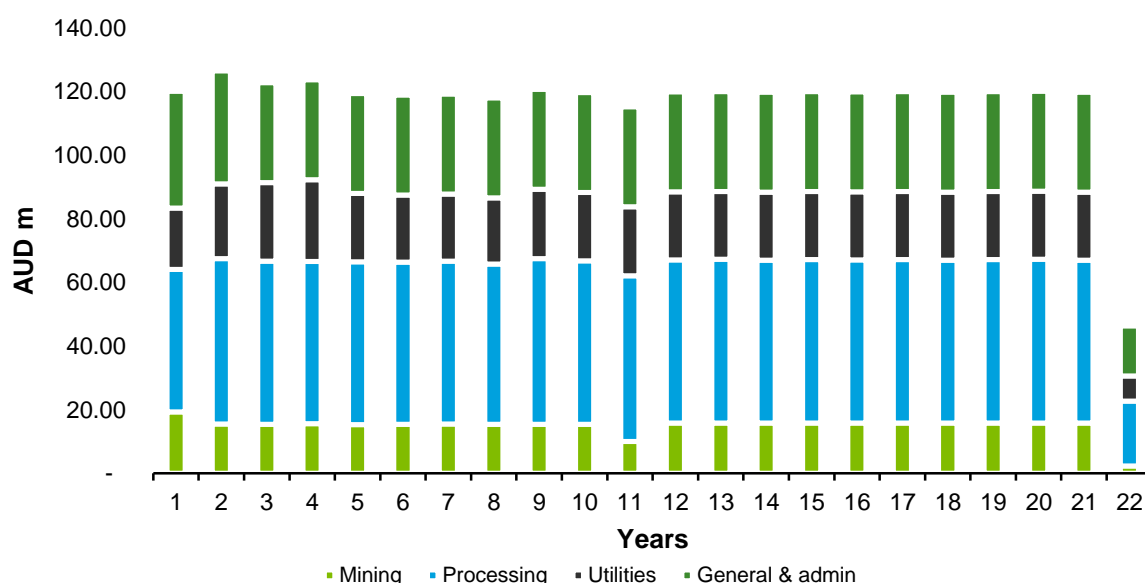
- half of the vanadium produced is assumed to be sold to the US while the remainder will be sold to Europe (London)
- although historically the pricing differential between sales in the US and Europe has been 10%, we note that the pricing differential in the current spot market is almost nil. We have therefore not assumed premium pricing for sales to the US
- vanadium sales is reflected at net of client country import duties, royalties and selling cost
- we have adopted our assumptions regarding the forecast exchange rate as stated under the economic assumptions as outlined above
- we have assumed that the resumption of the Project will commence at the Announcement Date although Management has indicated that production will only begin when vanadium prices recovers to a level where the Project becomes economically viable
- in addition to vanadium, the Project also produces a small amount of HiTi iron ore. We have not factored in the sale of HiTi iron ore in the Model given Atlantic's focus on producing vanadium and the termination of sales of iron ore in 2013 due to a low lump-to-fines ratio.

Operating expenditure

Operating expenditure consist of mining, processing, utilities and general and administrative costs which include employee costs attributable to each cost category.

The following figure sets out projected operating expenditure at the Project.

Figure 9: Windimurra operating expenditure



Source: Windimurra Model, Deloitte Corporate Finance analysis

We note the following in relation to the figure above:

- we have adjusted the Model to reflect the latest pricing in regards to utilities cost, including gas tariffs and expenses
- we have not considered certain other administration costs, including restructuring costs and listing costs based on Droxford's intent to delist Atlantic from the ASX
- the operating expenditure of the Project over its operating life (excluding construction phase) is forecast to be AUD2.8 billion (in real terms), which is equivalent to approximately AUD3,000 (in real terms) per vanadium tonne produced
- processing costs represent the most significant component of operating expenditure at the Project, around 40% of production cost.

Capital expenditure

Management estimates that approximately AUD140 million of capital expenditure (capex) is required upfront to construct facilities for operations. This includes construction of the redesigned CMB plant and the removal of processing choke points at the refinery. Approximately AUD4 million to AUD5 million of maintenance capex is budgeted on an annual basis during the LOM.

Other assumptions

In addition to the assumptions discussed in the preceding sections, we have also made the following assumptions:

- cash flows have been adjusted for working capital movements, based on 90 days for inventory, 30 days for receivables and 30 days for payables
- depreciation and amortisation of the Windimurra plant over the LOM
- cash flows are modelled on a post-tax basis, incorporating an Australia corporate tax rate of 30%. Tax losses incurred previously were not considered as Atlantic is proposing to buy the Project and not the company
- tax claims relating to business activity statement receipts and research and development costs, and restructuring cost were not considered
- we have adopted the technical assumptions for the Project in the Model, including assumptions based on the AMEC technical analysis report

- we have adopted the rehabilitation cost as per the mine closure plan approved in July 2013 and extended in September 2015.

Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected an AUD denominated, real after tax discount rate in the range of 17% to 18% to discount the future cash flows of the Project to its present value.

In selecting this range we considered the following:

- the required rates of return on listed companies in a similar business
- the specific business and financing risks of the Project
- an appropriate level of financial gearing.

A detailed consideration of these matters is provided in Appendix E.

Based on our selected base case assumptions, the enterprise value range is negative AUD274 million to negative AUD278 million. This provides support for Management's stated intention to keep the Project in care and maintenance until vanadium prices have recovered to a level where the Project becomes economically viable, which is not expected to occur in the foreseeable future.

Sensitivity scenarios

We have run various scenarios in the Model including higher prices and lower capex and conclude that there are limited scenarios where the enterprise value becomes positive, and these are all price related.

Appendix E: Discount rates

The discount rate utilised to determine the net present value (NPV) of future cash flows reflects the risk adjusted rate of return demanded by a market participant when investing in an asset or business.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

The discount rate is based on fundamental analysis using one of the widely regarded models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)). Market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment types, business location or economic cycles.

Our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business. Our selection of an appropriate discount rate therefore considers what buyers deem to consider as appropriate alternatives to the typical CAPM approach in estimating the cost of capital.

For ungeared cash flows, discount rates are determined based on the cost of a market participant's debt and equity weighted by the proportion of debt and equity commonly used in the relevant industry. This is commonly referred to as the weighted average cost of capital (WACC).

The WACC can be derived using the following formula:

$$WACC = \left(\frac{E}{V} * K_e \right) + \left(\frac{D}{V} * K_d (1 - t_c) \right)$$

The components of the formula are:

K_e = cost of equity capital

K_d = cost of debt

t_c = corporate tax rate

E/V = proportion of enterprise funded by equity

D/V = proportion of enterprise funded by debt

The adjustment of K_d by $(1 - t_c)$ reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30% for the project, which is in line with the Australian corporate tax rate.

We have derived a real post-tax WACC for Atlantic consistent with the cash flows in the Model.

Cost of equity capital (K_e)

The cost of equity, K_e , is the rate of return that investors will demand for an equity investment in a business taking into account industry, market and company specific risk factors.

We have used the CAPM to estimate the K_e for Atlantic. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta(R_m - R_f) + \alpha$$

The components of the formula are:

K_e = required return on equity

R_f = the risk free rate of return

R_m = the expected return on the market portfolio

β = beta, the systematic risk of a stock

α = specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term Government bond rate.

As outlined in Appendix E, the Model includes AUD denominated cash flows. As a result, we have adopted the 10 year Australian Government Bond yield of 2.30%. This rate is current as at 29 February 2016 and represents a nominal rate and thus includes inflation. The 10 year Australian Government Bond yield has been sourced from the RBA website.

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP.

Historical approach

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- the impact of franking tax credits
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.

We have considered the most recent studies undertaken by the Securities Industry Research Centre of Asia-Pacific Limited, Morningstar, Inc. (Morningstar), ABN AMRO/London Business School and Aswath Damodaran (Damodaran). These studies generally calculate the EMRP to be in the range of 5% to 8%.

Prospective approach

The prospective approach is a forward looking approach that is current, market driven and does not rely on historical information. It attempts to estimate a forward looking premium based on either surveys or an implied premium approach.

The survey approach is based on investors, managers and academics providing their long term expectations of equity returns. Survey evidence suggests that the EMRP is generally expected to be in the range of 6% to 8%.

The implied approach is based on either expected future cash flows or observed bond default spreads and therefore changes over time as share prices, earnings, inflation and interest rates change. The implied premium may be calculated from the market's total capitalisation and the level of expected future earnings and growth.

Selected EMRP

We have considered both the historically observed EMRP and the prospective approaches as a guideline in determining the appropriate EMRP to use in this report. Australian studies on the historical risk premium approach generally indicate that the EMRP would be in the range of 5% to 8%.

In recent years it has been common market practice in Australia in expert's reports and regulatory decisions to adopt an EMRP of 6%.

The recent severe decline in equity values worldwide and the difficulty companies are experiencing in raising equity capital may be indicative of investors demanding a greater risk premium. In addition, with particular regard to expected future cash flows and observed bond default spreads, current prospective measures appear to indicate an increase in the EMRP.

Having considered the various approaches and their limitations, we consider an EMRP of 7.50% to be appropriate.

Beta estimate (β)

Description

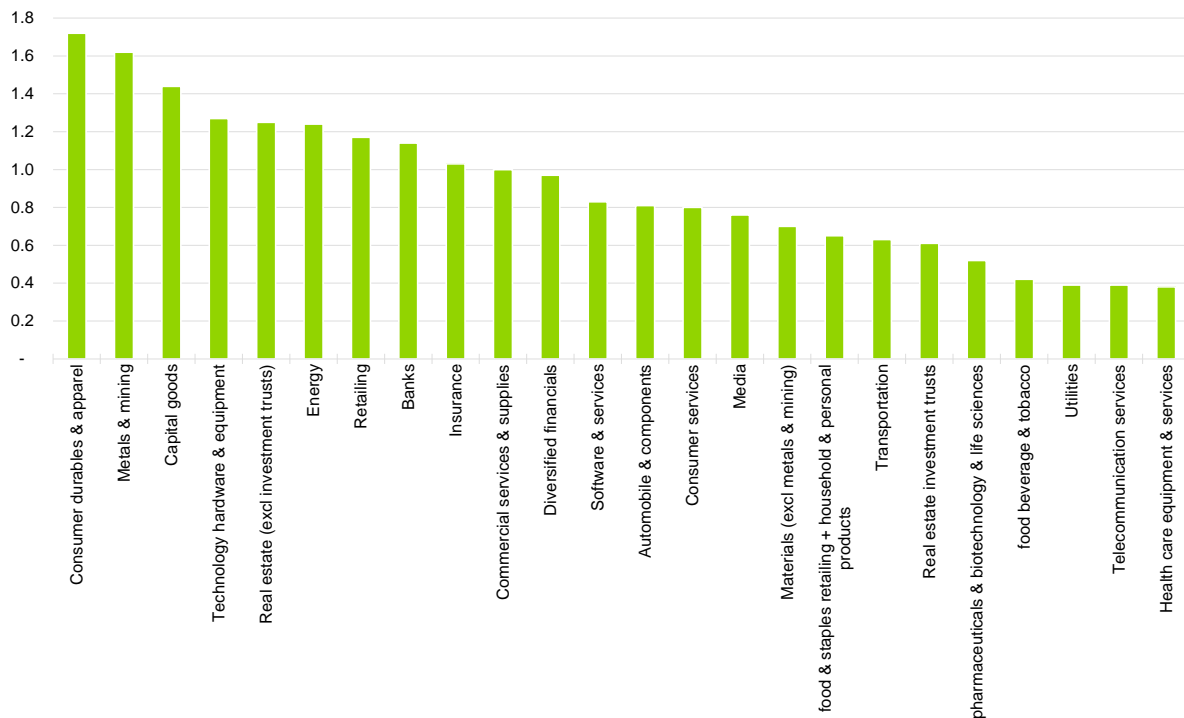
The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

The betas of various Australian industries listed on the ASX are indicated below and provide an example of the relative industry betas for a developed market.

Figure 10: Industry betas



Source: Securities Industry Research Centre of Asia-Pacific Limited

The differences relate to the business risks associated with the industry. For example, the above diagram suggests that financial services companies have a close correlation to overall market returns with a beta close to 1.0 whereas telecommunications and other infrastructure companies (in particularly those that are regulated) typically have betas lower than 1.0.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

Market evidence

In estimating an appropriate beta for Atlantic we have considered the betas of listed companies that are comparable to these assets. For the mine we have relied predominantly upon the calculated betas for Australian and international vanadium mining companies with exploration and producing projects. These betas, which are presented below, have been calculated based on weekly and monthly returns, over a two and four year period, and have been compared to a relevant local index and the Morgan Stanley Capital International World Index (MSCI Index).

Table 19: Analysis of betas for listed companies with comparable operations to Atlantic

| Name | Country | Enterprise value (AUD million) | 2 year Average gearing (%) | 4 year Average gearing (%) | 2-year local index Unlevered | 4-year local index Unlevered | 2-year MSCI Unlevered | 4-year MSCI Unlevered |
|---|--------------|--------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|-----------------------|-----------------------|
| Atlas Iron Limited | Australia | 285 | 43% | 24% | 0.72 | 0.61 | n/m | n/m |
| Neometals Limited | Australia | 119 | 0% | 0% | n/m | n/m | n/m | n/m |
| TNG Limited | Australia | 97 | 0% | 0% | n/m | 1.89 | n/m | n/m |
| Audalia Resources Limited | Australia | 41 | 21% | 12% | n/m | n/m | n/m | n/m |
| Salt Lake Potash Limited | Australia | 39 | 0% | 0% | n/m | n/m | n/m | n/m |
| Accent Resources N.L. | Australia | 17 | 0% | 0% | n/m | n/m | n/m | n/m |
| Australian Vanadium Limited | Australia | 11 | 0% | 0% | n/m | n/m | n/m | n/m |
| Venus Metals Corporation Limited | Australia | 8 | 0% | 0% | n/m | n/m | n/m | n/m |
| Windimurra Vanadium Limited | Australia | 4 | 20% | 33% | n/m | 0.95 | n/m | 1.26 |
| Black Ridge Mining NL | Australia | 3 | 47% | 32% | n/m | n/m | n/m | 1.77 |
| Low - Australian companies | | | 0% | 0% | 0.72 | 0.61 | - | 1.26 |
| Average - Australian companies | | | 13% | 10% | 0.72 | 1.15 | n/a | 1.51 |
| Median - Australian companies | | | 0% | 0% | 0.72 | 0.95 | n/a | 1.51 |
| High - Australian companies | | | 47% | 33% | 0.72 | 1.89 | - | 1.77 |
| Glencore Plc | Switzerland | 93,621 | 48% | 44% | 1.30 | 1.11 | 1.67 | 1.17 |
| Largo Resources Ltd. | Canada | 266 | 55% | 37% | n/m | 1.53 | n/m | 0.94 |
| Energy Fuels Inc. | Canada | 184 | 7% | 5% | 1.42 | n/m | 1.61 | n/m |
| Energizer Resources Inc. | Canada | 29 | 0% | 0% | n/m | n/m | n/m | 2.44 |
| Bushveld Minerals Limited | South Africa | 20 | 0% | 0% | n/m | n/m | n/m | n/m |
| Argex Titanium Inc. | Canada | 10 | 14% | 8% | n/m | n/m | n/m | 1.58 |
| Vanadiumcorp Resource Inc. | Canada | 8 | 0% | 0% | n/m | n/m | n/m | n/m |
| American Vanadium Corp. | Canada | 6 | 0% | 0% | n/m | n/m | n/m | n/m |
| Stina Resources Ltd. | Canada | 6 | 2% | 1% | n/m | n/m | n/m | n/m |
| Fairmont Resources Inc. | Canada | 2 | 1% | 0% | n/m | 3.62 | n/m | 3.16 |
| Aldershot Resources Ltd. | Canada | 1 | 12% | 7% | n/m | n/m | n/m | n/m |
| Jet Metal Corp. | Canada | 0 | 0% | 0% | n/m | n/m | n/m | n/m |
| Nevado Resources Corporation | Canada | 0 | 12% | 6% | n/m | 4.48 | n/m | n/m |
| Low - North American companies | | | 0% | 0% | 1.30 | 1.11 | 1.61 | 0.94 |
| Average - North American companies | | | 12% | 8% | 1.36 | 2.68 | 1.64 | 1.86 |
| Median - North American companies | | | 2% | 1% | 1.36 | 2.57 | 1.64 | 1.58 |
| High - North American companies | | | 55% | 44% | 1.42 | 4.48 | 1.67 | 3.16 |

| Name | Country | Enterprise value (AUD million) | 2 year Average gearing (%) | 4 year Average gearing (%) | 2-year local index Unlevered | 4-year local index Unlevered | 2-year MSCI Unlevered | 4-year MSCI Unlevered |
|--------------------------|---------|-----------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
| Low - Overall | | | 0% | 0% | 0.72 | 0.61 | 1.61 | 0.94 |
| Average - Overall | | | 12% | 9% | 1.14 | 2.03 | 1.64 | 1.76 |
| Median - Overall | | | 1% | 0% | 1.30 | 1.53 | 1.64 | 1.58 |
| High - Overall | | | 55% | 44% | 1.42 | 4.48 | 1.67 | 3.16 |

Source: Capital IQ and Deloitte Corporate Finance analysis

Notes:

1. Enterprise value as at 29 February 2016

2. n/m – not meaningful due to low R^2 correlation

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of the Atlantic. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta (β)

In selecting an appropriate beta for Atlantic we have considered the following:

- some of the companies included in the analysis are larger than Atlantic with assets in multiple locations. These companies will typically have a lower risk profile than smaller companies operating in a single location
- the overall average and median of the two year weekly betas when measured against the local indexes is 1.14 and 1.30 and the overall average and median of the four year monthly betas when measured against the local indexes is 2.03 and 1.53
- the companies with operations most comparable to Atlantic are:
 - Largo Resources Limited (Largo) – Largo is a mid-tier mining company which engages in the production of vanadium through the Marcas Menchen mine. It commenced production in 2014. In addition, it owns mines in Canada. While the Marcas mine is located in Brazil, we consider the risk profile to be similar, since both mines are impacted by the global commodity prices. The beta for Largo over the four year period calculated on a monthly basis is 1.53
 - Energy Fuels Inc. (EFI) – EFI is a uranium and vanadium mining company primarily operating in North America. Vanadium is recovered as a by-product from the mining of uranium. EFI is larger in size than Atlantic and its key operations are uranium mining. The beta for EFI over the two year period calculated on a weekly basis is 1.42
- the comparable companies that we have relied on for our beta selection are significantly larger than Atlantic and therefore would have a lower risk profile and beta than Atlantic.

Based on the above analysis, we consider an unlevered beta in the range of 1.40 to 1.50 to be appropriate for Atlantic. Assuming an unlevered beta of 1.40 to 1.50, a corporate tax rate of 30% and gearing of 10% gives an adjusted levered beta of 1.34 to 1.41.

Specific company risk premium (α)

The specific company risk premium adjusts the cost of equity for company specific factors, including non-systematic risk factors such as:

- company size (which we discuss in detail below)
- depth and quality of management
- reliance on one key individual or a few key members of management
- reliance on key customers
- reliance on key suppliers
- product diversity (limits on potential customers)
- geographic diversity
- labour relations, quality of personnel (union/non-union)
- capital structure, amount of leverage
- existence of contingent liabilities.

The CAPM assumes that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as non-systematic risk). There are, however, several empirical studies that demonstrate that the investment market does not ignore specific company risks. In particular, studies show that on average, smaller companies have higher rates of return than larger companies (often referred to as the size premium).

We have selected a company specific risk premium of 8% to 9%. In determining this, we have had regard to the following:

- unlike most of the comparable companies, the mine is primarily a vanadium mine and therefore its economic viability depends on the vanadium prices. For most of the comparable companies listed above, vanadium is a by-product generated from mining ores
- the Project is currently in care and maintenance and will require significant investment to resume production. The Project is also not economically viable under current market conditions.

Conclusion on cost of equity

Based on the above factors we arrive at a K_e for Atlantic as follows:

Table 20: Cost of equity

| Input | Low | High |
|--|---------------|---------------|
| Risk free rate (%) | 2.30% | 2.30% |
| EMRP (%) | 7.50% | 7.50% |
| Beta | 1.34 | 1.41 |
| Company specific risk premium | 8.00% | 9.00% |
| K_e – calculated (%) | 20.35% | 21.89% |

Source: Deloitte Corporate Finance analysis

Cost of debt capital (K_d)

We have estimated the pre-tax cost of debt Atlantic to be 20%. This has been estimated after considering the following:

- Atlantic does not have a credit rating on which to base a suitable debt margin. Atlantic would not be regarded as investment grade and would likely be required to pay a debt margin greater than the lowest investment grade bond in Australia, being BBB
- the current interest rates being charged to Atlantic on the promissory notes and convertible bonds are between 17.5% and 22.5%
- our selected level of gearing for Atlantic.

Debt and equity mix

We have considered the following factors in estimating the debt to equity mix for Atlantic:

- the overall average market gearing of the comparable companies set out in Table 19, of 9%
- our understanding of the ongoing capital expenditure requirements.

We have estimated the target debt to equity mix of Atlantic to be 10% debt and 90% equity based on the average gearing of comparable listed comparable companies and other relevant considerations set out above.

Calculation of WACC

Based on the above, we have calculated the post-tax WACC for Atlantic as follows:

Table 21: WACC calculation

| AUD WACC | Low | High |
|-----------------------------------|--------------|--------------|
| Risk free rate | 2.3% | 2.3% |
| Equity market risk premium (EMRP) | 7.5% | 7.5% |
| Unlevered raw beta | 1.40 | 1.50 |
| Relevered beta | 1.34 | 1.41 |
| Ke | 12.3% | 12.9% |
| Specific risk premium | 8.0% | 9.0% |
| Ke adjusted | 20.3% | 21.9% |
| Kd pre-tax | 20.0% | 20.0% |
| Kd post-tax | 14.0% | 14.0% |
| Debt to Enterprise value ratio | 10.0% | 10.0% |
| Tax | 30.0% | 30.0% |
| Long-term inflation | 2.5% | 2.5% |
| WACC, post-tax (%) (real) | 16.8% | 18.1% |
| Selected WACC | 17.0% | 18.0% |

Source: Deloitte Corporate Finance analysis

Notes:

1. the midpoint of Australian long-term inflation expectation as per RBA
2. Real, post-tax WACC calculated by applying the Fischer equation

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Annexure 2 – Scheme Implementation Deed

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DATED

2016

(1) ATLANTIC LTD

- and -

(2) DROXFORD INTERNATIONAL LIMITED

**SCHEME IMPLEMENTATION
DEED**

(as amended on 27 June 2016)

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THIS SCHEME IMPLEMENTATION DEED is made on

2016

BETWEEN:

- (1) **ATLANTIC LTD ACN 009 213 763** of Level 11, 125 St Georges Terrace, Perth WA 6000 ("**Target**")
- (2) **DROXFORD INTERNATIONAL LIMITED (I.B.C. Number 461087)** of 175A Bencoolen Street, #10-11/12 Burlington Square, Singapore 189650 ("**Bidder**")

BACKGROUND:

- A The Bidder and the Target have agreed that a scheme of arrangement will be proposed under Part 5.1 of the Corporations Act between the Target and the holders of its ordinary shares under which the Bidder will acquire all the shares that it does not already own in the Target.
- B The parties have agreed to implement the scheme of arrangement on the terms of this deed.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 The following definitions apply in this document:

"**ACCC**" means the Australian Competition and Consumer Commission;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires;

"**ASX Listing Rules**" means the listing rules of ASX;

"**Authorisation**" means:

- (a) an approval, authorisation, consent, declaration, exemption, licence, notarisation, permit or waiver, however it is described, including any renewal or amendment and any condition attaching to it from or by a Government Agency; and
- (b) in relation to anything that could be prohibited or restricted by law, if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken;

"**Authorised Person**" means, in respect of a person:

- (a) a director, officer, partner, member or employee of the person;
- (b) any person engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to that person; and

- (c) a director, officer, partner or employee of a person referred to in subclause (b) above;

"Bidder Material" means such information regarding the Bidder that is provided by or on behalf of the Bidder to the Target or the Independent Expert:

- (a) to enable the Scheme Booklet to be prepared and completed in compliance with all applicable laws; and
- (b) otherwise in compliance with the Bidder's obligations under clause 7.1.1 and 7.1.2;

"Bidder Representations and Warranties" means each of the representations and warranties given by the Bidder to the Target under clauses 10.1 (to the extent applicable to the Bidder) and 10.3;

"Claim" means, in relation to a person, any claim, allegation, cause of action, proceeding, liability, suit or demand made against the person concerned however it arises and whether it is present or future, fixed or unascertained, actual or contingent;

"Competing Proposal" means any proposal (including a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than the Bidder acquiring (directly or indirectly):

- (a) an interest in all or a substantial part of the assets of the Target;
- (b) a relevant interest in more than 20% of the voting shares of the Target;
- (c) control of the Target within the meaning of section 50AA of the Corporations Act; or
- (d) otherwise acquiring or merging with the Target (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure) except for any acquisition by the Target of:
- (i) any entity whose consolidated gross assets as shown in its most recently published financial statements are less than 20% of the consolidated gross assets of the Target Group as shown in its most recently published financial statements; or
 - (ii) any business or assets, other than a business or assets whose aggregate fair value is less than 20% of the consolidated gross assets of the Target Group as shown in its most recently published financial statements;

"Condition" means a condition precedent set out in clause 4.2;

"Confidential Information" has the meaning given in clause 14.1;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Court" means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing;

"Deed Poll" means a document in the form of Schedule 3;

"Effective" means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme;

"Effective Date" means the date on which the Scheme becomes Effective;

"End Date" means 30 September 2016, subject to any extension agreed to by the parties;

"FATA" means the *Foreign Acquisitions and Takeovers Act 1975* (Cth);

"Financial Assistance Amount" means \$383,397.22 being part of the accrued interest payable by the Target to the Bidder under the terms of the Class A convertible bond deed (as amended) dated 2 March 2012;

"Financial Assistance Approval" means approval by the Target Shareholders of the payment by the Target to the Bidder of the Financial Assistance Amount in accordance with section 260B of the Corporations Act to assist the Bidder to pay the Scheme Consideration;

"First Court Date" means the first day of the hearing of the Court of an application for an order under section 411(1) of the Corporations Act convening the Scheme Meeting;

"Forbearance Agreement" means the forbearance agreement dated 3 October 2015 between the Target and the Bidder;

"Government Agency" means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including the ACCC, ASIC, ASX, the Takeovers Panel, and any self-regulatory organisation established under statute or by ASX;

"GST Law" means the same as "GST Law" in *A New Tax System (Goods and Services Tax) Act 1999* (Cth);

"Implementation" means the implementation of the Scheme, on it becoming Effective;

"Implementation Date" means the fifth Business day following the Record Date;

"Independent Expert" means an expert, independent of the parties, engaged by the Target in good faith to provide its opinion on whether the Scheme is in the best interests of Target Shareholders;

"Independent Expert's Report" means the report from the Independent Expert commissioned by the Target for inclusion in the Scheme Booklet;

"Loss" includes any loss, damage, liability, obligation, compensation, fine, penalty, charge, payment, cost or expense (including any legal cost and expense) however it arises and whether it is present or future, fixed or unascertained, actual or contingent but excluding any consequential or indirect loss, economic loss or loss of profits;

"Meeting Date" means the date on which Target Shareholders vote on a resolution to approve the Scheme under section 411(4)(a)(ii) of the Corporations Act;

"Record Date" means 5:00 pm on the day which is five Business days after the Effective Date, or any other date (after the Effective Date) agreed by the parties to be the record date to determine entitlements to receive Scheme Consideration under the Scheme;

"Regulatory Approvals" means the consents, approvals, clearances, decisions, determinations or other acts by a Government Agency, which the Target and the Bidder agree are necessary to effect Implementation, including:

- (a) written notification by or on behalf of the Treasurer of the Commonwealth of Australia under FATA that the Commonwealth Government has no objection under the Federal Government's foreign investment policy or under FATA to the Bidder acquiring all the Target Shares (which it does not already own) under the Scheme, or the Treasurer becomes precluded from exercising any power to make an order under the FATA in respect of the Bidder acquiring all the Target Shares (which it does not already own) under the Scheme; and
- (b) all other Authorisations, which the Target and the Bidder agree are necessary for Implementation;

"Scheme" means the scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Target Shareholders substantially in the form of Schedule 2 or in such other form as is agreed between the Target and the Bidder, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by each party;

"Scheme Booklet" means the information described in clause 6.1.2 to be approved by the Court and dispatched to Target Shareholders, and includes the Scheme, an explanatory statement as that term is defined in section 412 of the Corporations Act, an independent expert's report, a notice of meeting and proxy form;

"Scheme Consideration" means the consideration to be provided by the Bidder in consideration for the transfer of the Target Shares held by a Scheme Participant to the Bidder, being in respect of each Scheme Share, \$0.003 cash;

"Scheme Meeting" means the meeting of Target Shareholders to be convened:

- (a) as ordered by the Court under section 411(1) of the Corporations Act, to consider the Scheme; and
- (b) for the purposes of section 260B of the Corporations Act, to approve the payment of the Financial Assistance Amount;

"Scheme Participants" means each Target Shareholder as at the Record Date (taking into account registration of all registrable transfers and transmission applications received at the Target's share registry by the Record Date);

"Scheme Share" means a Target Share held by a Scheme Participant;

"Second Court Date" means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard;

"Takeovers Panel" means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth);

"Target Board" means the board of directors of Target as at the Implementation Date;

"Target Group" means Target and its related bodies corporate;

"Target Option" means an option to subscribe for a Target Share, listed in schedule 4;

"Target Representations and Warranties" means each of the representations and warranties given by the Target to the Bidder under clauses 10.1 (to the extent applicable to the Target) and 10.2;

"Target Share" means a fully paid ordinary share in the capital of the Target;

"Target Shareholder" means each person who is registered as a holder of Target Shares other than the Bidder and its associates;

"Target Shareholder Approval" means a resolution in favour of the Scheme passed by the required majority of Target Shareholders under section 411(4)(a)(ii) of the Corporations Act;

"Third Party Consent" means any consent, agreement, waiver, licence or approval from or by a party (other than the Bidder or its associates) in respect of a contract involving the Target or a subsidiary of the Target; and

"Timetable" means the indicative timetable for the Implementation of the Scheme as set out in Schedule 1, subject to any modifications as the parties may agree in writing.

Interpretation

- 1.2 In the interpretation of this deed, the following provisions apply unless the context otherwise requires:
- 1.2.1 a reference to "dollars" or "\$" means Australian dollars and all amounts payable under this deed are payable in Australian dollars;
 - 1.2.2 an expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
 - 1.2.3 where a word or phrase is given a defined meaning another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;
 - 1.2.4 a word which indicates the singular also indicates the plural, a word which indicates the plural also indicates the singular, and a reference to any gender also indicates any other gender;
 - 1.2.5 a reference to the word "include" or "including" is to be interpreted without limitation;
 - 1.2.6 a reference to the word "owing" means actually or contingently owing, and "owe" and "owed" have an equivalent meaning;

- 1.2.7 a reference to a party, clause, part, schedule, annexure or attachment is a reference to a party, clause, part, schedule, annexure or attachment of or to this deed;
- 1.2.8 a reference to "associate", "controller", "entity", "officer", "relevant interest" and subsidiary have the same meaning as in the Corporations Act;
- 1.2.9 a reference to any document or agreement is to that document or agreement as amended, novated, supplemented or replaced;
- 1.2.10 the schedules, annexures and attachments form part of this deed;
- 1.2.11 headings are inserted for convenience only and do not affect the interpretation of this deed;
- 1.2.12 words defined in the GST Law have the same meaning in clauses concerning GST; and
- 1.2.13 a reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision, in either case whether before, on or after the date of this agreement.

Business day; references to and calculations of time

- 1.3 In this deed, unless the context otherwise requires:
- 1.3.1 a reference to a business day means a day other than a Saturday, Sunday or public holiday on which banks are open for business generally in the place the laws of which govern the construction of this deed;
- 1.3.2 a reference to a time of day means that time of day in the place whose laws govern the construction of this deed;
- 1.3.3 where a period of time is specified and dates from a given day or the day of an act or event it must be calculated exclusive of that day; and
- 1.3.4 a term of this deed which has the effect of requiring anything to be done on or by a date which is not a business day must be interpreted as if it required it to be done on or by the next business day.

Reasonable endeavours and reasonable requests

- 1.4 Any provision of this agreement which requires a party to use its reasonable endeavours to procure that something is performed or occurs or does not occur, or to comply with all reasonable requests, does not impose an obligation to:
- 1.4.1 pay any money or to provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person, except for any such payment, compensation, consideration or income expressly contemplated in the relevant provision; or
- 1.4.2 commence any legal action or proceeding against any person, except where that provision expressly specifies otherwise.

Knowledge

- 1.5 Where this deed makes reference to the knowledge or awareness of a party, or any similar reference, such knowledge or awareness will be taken to mean the actual knowledge and awareness of the party, but will not include any deemed or imputed knowledge of the party.
- 1.6 Notwithstanding anything contained in clause 1.5, where any of the representations and warranties in this deed are qualified by the expression "so far as that party is aware" or "to the best of that party's knowledge, information and belief" or any similar expression, that statement is taken to include an additional statement that it has been made after due and careful enquiry by that party or in the case of a corporation the party's officers as that term is defined in the Corporations Act.

2. AGREEMENT TO PROCEED WITH SCHEME

Agreement to propose and implement the Scheme

- 2.1 The Target agrees to propose and implement the Scheme in accordance with the terms of this deed, and must use all reasonable endeavours to do so in accordance with the Timetable.
- 2.2 The Bidder agrees to assist the Target to propose and implement the Scheme in accordance with the terms of this deed, and must use all reasonable endeavours to do so in accordance with the Timetable.

3. THE SCHEME

Outline of the Scheme

- 3.1 Subject to the terms of this deed, if the Scheme becomes Effective, on the Implementation Date, all of the Target Shares held by Scheme Participants must be transferred to the Bidder and the Scheme Participants will be entitled to receive the Scheme Consideration.

No amendments to the Scheme without consent

- 3.2 The Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of the Bidder.

Scheme Consideration

- 3.3 The Bidder agrees with the Target (in its own right and as trustee on behalf of each Scheme Participant) that, if the Scheme becomes Effective, in consideration of the transfer to the Bidder of each Target Share held by a Scheme Participant under the terms of the Scheme, the Bidder will, subject to the terms of this deed and the Scheme, on the Implementation Date:
- 3.3.1 accept that transfer; and
- 3.3.2 pay, or procure the payment of the Scheme Consideration in accordance with the Scheme.

4. CONDITIONS

Obligations not binding until Conditions satisfied

- 4.1 Subject to this clause 4, the Scheme will not become Effective and the obligations of the Bidder under clause 3.3 will not become binding until each Condition is satisfied or waived under clauses 4.3 or 4.4 (as applicable).

Conditions

- 4.2 The Conditions are:

- 4.2.1 **(Regulatory Approvals)** the Regulatory Approvals are obtained and not withdrawn by 5.00 pm on the business day immediately prior to the Second Court Date;
- 4.2.2 **(Shareholder Approval)** before 8.00 am on the Second Court Date, Target Shareholder Approval is obtained;
- 4.2.3 **(Financial Assistance Approval)** before 8:00 am on the Second Court Date, Financial Assistance Approval is obtained;
- 4.2.4 **(Court approval of Scheme)** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme;
- 4.2.5 **(no restraint adversely affecting Implementation)** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing Implementation is in effect at 8.00 am on the Second Court Date;
- 4.2.6 **(Third Party Consents)** before 8.00 am on the Second Court Date, all Third Party Consents are granted or obtained in respect of the Implementation and those Third Party Consents are not withdrawn, cancelled or revoked;
- 4.2.7 **(Target Representations and Warranties)** the representations and warranties of the Target set out in clauses 10.1 and 10.2 are true and correct in all material respects as at the date of this deed and as at 8.00 am on the Second Court Date, unless expressed to be given at another date; and
- 4.2.8 **(Bidder Representations and Warranties)** the representations and warranties of the Bidder set out in clauses 10.1 and 10.3 are true and correct in all material respects as at the date of this deed and as at 8.00 am on the Second Court Date, unless expressed to be given at another date.

Benefit and waiver of a Condition

- 4.3 The following Conditions are included for the benefit of the following parties:
- 4.3.1 the Conditions in clauses 4.2.1 to 4.2.5 cannot be waived;
- 4.3.2 the Conditions in clauses 4.2.6 and 4.2.7 are for the benefit of the Bidder and may only be waived by the Bidder; and

- 4.3.3 the Condition in clause 4.2.8 is for the benefit of the Target and may only be waived by the Target.

Fulfilment of each Condition

- 4.4 Each party must:

- 4.4.1 use its reasonable endeavours to ensure and procure that each Condition is satisfied as soon as reasonably practicable after the date of this deed;
- 4.4.2 keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- 4.4.3 promptly inform the other party of any circumstances which may result in any of the Conditions not being satisfied in accordance with its terms; and
- 4.4.4 promptly advise the other party of the satisfaction of a Condition.

Consequences of Condition not fulfilled or waived

- 4.5 If an event occurs which would, or does, prevent a Condition being satisfied and that Condition is not waived (if capable of being waived) in accordance with clause 4.3, the parties:
- 4.5.1 must consult in good faith to determine whether the Scheme may proceed by way of alternative means or method so as to achieve a commercial outcome which reflects the Scheme; and
- 4.5.2 may agree to extend the relevant date for the satisfaction of the Condition or the End Date, or both.

Termination

- 4.6 If the parties are unable to reach agreement under clause 4.5 within 10 business days of becoming aware of the relevant occurrence, the relevant date or by the End Date, unless that Condition is waived (if capable of being waived) in accordance with clause 4.3, either party may terminate this deed without any liability to that other party because of that termination, unless the relevant occurrence or the failure of the Condition to be satisfied, arose out of a breach by the terminating party.

Consequences of expiry of forbearance arrangements

- 4.7 The Target acknowledges that, should a circumstance set out in clause 5.1 of the Forbearance Agreement (as amended by clause 11 of this deed) occur for any reason whatsoever, the forbearance arrangements set out in the Forbearance Agreement will expire and the Bidder will seek to immediately enforce its rights to recover debts payable by the Target to the Bidder under the terms of convertible notes and promissory notes that matured on or around 6 March 2015, which may include applying to the court for an order to wind up the Target.

5. OBLIGATIONS OF THE PARTIES

Certificate

- 5.1 On the Second Court Date, each party must provide to the Court a joint certificate confirming whether or not the Conditions (other than the Condition in clause 4.2.4) have been satisfied or waived in accordance with the terms of this deed.

6. TARGET OBLIGATIONS

- 6.1 The Target must take all steps reasonably necessary to propose and implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable, including taking each of the following steps:

- 6.1.1 **(announcement)** announce, in a form agreed between the Target and the Bidder which includes a statement that the independent director of the Target:

6.1.1.1 intends to recommend to Target Shareholders that the Scheme be approved; and

6.1.1.2 intends to vote his Target Shares in favour of the Scheme,

subject to:

6.1.1.3 the Independent Expert's Report concluding and continuing to conclude that the Scheme is in the best interests of Target Shareholders; and

6.1.1.4 no superior proposal emerging;

- 6.1.2 **(Scheme Booklet)** prepare the Scheme Booklet which complies with all applicable laws (including all relevant ASIC regulatory guides, the Corporations Act and the ASX Listing Rules);

- 6.1.3 **(commission Independent Expert's Report)** promptly appoint an Independent Expert to provide the Independent Expert's Report, and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report;

- 6.1.4 **(approval of the Bidder Material)** seek approval from the Bidder for the form and context in which the Bidder Material appears in the Scheme Booklet, which approval the Bidder must not unreasonably withhold or delay, and the Target must not lodge the Scheme Booklet with ASIC until such approval is obtained from the Bidder;

- 6.1.5 **(Court documents)** prepare all documents necessary for the Court proceedings relating to the Scheme in accordance with all applicable laws;

- 6.1.6 **(consult with the Bidder)** in a timely manner consult with the Bidder as to the form and content of all documents required for the purposes of the Scheme, including:

6.1.6.1 the Scheme Booklet, including taking into account the Bidder's reasonable comments and incorporating the Bidder Material; and

- 6.1.6.2 the documents required for the Court proceedings relating to the Scheme, including taking into account the Bidder's reasonable comments;
- 6.1.7 **(ASIC review of Scheme Booklet)** as soon as reasonably practicable after the date of this deed:
- 6.1.7.1 provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
- 6.1.7.2 liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet and keep the Bidder reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet and use reasonable endeavours, in consultation with the Bidder, to resolve any such matters.
- 6.1.8 **(approval of Scheme Booklet)** as soon as reasonably practicable after conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Target Board is held to consider approving the Scheme Booklet for despatch to the Target Shareholders subject to orders of the Court under section 411(1) of the Corporations Act;
- 6.1.9 **(Court order to convene Scheme Meeting)** apply to the Court under section 411(1) of the Corporations Act for an order directing the Target to convene the Scheme Meeting;
- 6.1.10 **(registration of Scheme Booklet)** if the Court directs the Target to convene the Scheme Meeting, as soon as reasonably practicable after such orders are made, request ASIC to register the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- 6.1.11 **(convene Scheme Meeting)** convene the Scheme Meeting, in accordance with any order made by the Court under section 411(1) of the Corporations Act and dispatch a copy of the Scheme Booklet to each Target Shareholder and to all other persons entitled to receive notice of the Scheme Meeting;
- 6.1.12 **(Financial Assistance Amount)** two business days before the Implementation Date, pay the Financial Assistance Amount as directed by the Bidder in accordance with clause 7.1.7;
- 6.1.13 **(section 411(17)(b) statement)** if Target Shareholder Approval is obtained, apply to ASIC for the production of a statement in writing under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- 6.1.14 **(Court approval)** subject to satisfaction or waiver of all Conditions other than the Condition in clause 4.2.4, promptly apply to the Court for orders approving the Scheme under section 411(4) of the Corporations Act;
- 6.1.15 **(lodge copy of order)** if the Court approves the Scheme under section 411(4) of the Corporations Act, promptly lodge an office copy of the Court order with ASIC in accordance with section 411(10) of the Corporations Act;

- 6.1.16 **(Scheme Participants' entitlements)** determine the identity of the Scheme Participants and their entitlements to the Scheme Consideration on the Record Date; and
- 6.1.17 **(register transfers)** subject to the Scheme Consideration having been paid to the Scheme Participants, register all transfers of Target Shares held by Scheme Participants to the Bidder on, or as soon as practicable after, the Implementation Date.

7. BIDDER OBLIGATIONS

- 7.1 The Bidder must take all steps reasonably necessary to assist the Target to propose and implement the Scheme substantially in accordance with the Timetable, including taking each of the following steps:
- 7.1.1 **(Bidder Material)** prepare and promptly provide to the Target for inclusion in the Scheme Booklet such information regarding the Bidder, the Scheme Consideration and the Bidder's intentions with respect to the assets, business and employees of the Target if the Scheme becomes Effective as is required under all applicable laws (including all relevant ASIC regulatory guides, the Corporations Act and the ASX Listing Rules), in reasonable time to allow the Target to prepare the Scheme Booklet in accordance with this deed;
- 7.1.2 **(further information)** promptly provide to the Target any further information reasonably required by Target before the Meeting Date to ensure that the information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);
- 7.1.3 **(confirmation of the Bidder Material)** subject to clause 8.2, promptly after the Target requests that it does so, confirm in writing to the Target that it consents to the inclusion of the Bidder Material in the Scheme Booklet, in the form and context in which the Bidder Material appears;
- 7.1.4 **(Independent Expert)** promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report for inclusion in the Scheme Booklet;
- 7.1.5 **(accuracy of Bidder Material)** before a draft of the Scheme Booklet is lodged with ASIC, and again before the Scheme Booklet is despatched to Target Shareholders, confirm to the Target the accuracy and completeness of the Bidder Material in the Scheme Booklet, including that it does not contain any material statement that is false or misleading in a material respect including because of any material omission;
- 7.1.6 **(Deed Poll)** before the First Court Date, enter into the Deed Poll;
- 7.1.7 **(Scheme Consideration)** at least three business days before the Implementation Date, direct the Target to pay the Financial Assistance Amount into an Australian dollar denominated trust account operated by or on behalf of the Target, such amount to form the Scheme Consideration and to be held on trust for the Scheme Participants and any interest, less bank fees and charges, for the Target;

7.1.8 (share transfer) if the Scheme becomes Effective, accept a transfer of the Target Shares as contemplated by clause 3.3.1; and

7.1.9 (Scheme) do all things within its power that are reasonably necessary to lawfully give effect to the Scheme and the orders of the Court approving the Scheme.

8. CONTENT OF SCHEME BOOKLET

Responsibility statements

8.1 The parties agree that the Scheme Booklet will contain statements to the effect that:

8.1.1 to the maximum extent possible at law, the Target will not be responsible for any Bidder Material and will disclaim any liability for the Bidder Material appearing in the Scheme Booklet; and

8.1.2 to the maximum extent possible at law, the Bidder will not be responsible for any information appearing in the Scheme Booklet other than the Bidder Material and will disclaim any liability for any information appearing in the Scheme Booklet other than the Bidder Material.

Disagreement on content

8.2 If the parties disagree on the form or content of the Scheme Booklet, they must immediately consult in good faith to try to settle an agreed form and content of the Scheme Booklet. If no agreement is reached within two business days of the commencement of this consultation, then:

8.2.1 in respect of information other than the Bidder Material, the final form and content of the Scheme Booklet shall be determined by the Target acting in good faith; and

8.2.2 in respect of the Bidder Material, the Target must make such amendments to the form or content of the disputed part of the Bidder Material as the Bidder reasonably requests.

9. TERMINATION

Termination by notice

9.1 Either party may, by notice in writing to the other party, terminate this deed at any time prior to 8:00 am on the Second Court Date:

9.1.1 if the other party is in material breach of any of its obligations under this deed (other than a material breach of a representation or warranty), and, if capable of remedy, the other party has failed to remedy that breach within five business days (or 5:00 pm on the day before the Second Court Date if earlier) of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstances and requesting the other party to remedy the breach; or

9.1.2 in accordance with clause 4.6.

Termination by the Target

- 9.2 The Target may, by notice in writing to the Bidder, terminate this deed at any time prior to 8:00 am on the Second Court Date if at any time before then:
- 9.2.1 the independent director of the Target publicly recommends a Competing Proposal and does not, within three business days, reinstate his recommendation of the Scheme; or
 - 9.2.2 the Bidder is in material breach of any of its obligations under this deed (including a breach of a Bidder Representation and Warranty) and:
 - 9.2.2.1 the Target has given written notice to the Bidder setting out the breach and stating an intention to terminate this deed if the breach is not remedied; and
 - 9.2.2.2 the breach is not remedied by the Bidder to the Target's reasonable satisfaction within five business days (or any shorter period ending on the Second Court Date) from the time the notice is given in accordance with clause 9.2.2.1.

Termination by the Bidder

- 9.3 The Bidder may, by notice in writing to the Target, terminate this deed at any time prior to 8:00 am on the Second Court Date if at any time before then:
- 9.3.1 the independent director of the Target withdraws or adversely modifies his recommendation of the Scheme, or recommends a Competing Proposal; or
 - 9.3.2 the Target is in material breach of any of its obligations under this deed (including a breach of a Target Representation and Warranty) and:
 - 9.3.2.1 the Bidder has given written notice to the Target setting out the breach and stating an intention to terminate this deed if the breach is not remedied; and
 - 9.3.2.2 the breach is not remedied by the Target to the Bidder's reasonable satisfaction within five business days (or any shorter period ending on the Second Court Date) from the time the notice is given in accordance with clause 9.3.2.1.

Automatic termination

- 9.4 Without limiting any other term of this deed, this deed will terminate automatically if the Scheme is not approved by the necessary majorities at the Scheme Meeting.

Effect of termination

- 9.5 In the event of termination of this deed under clause 4.6 or this clause 9, this deed will become void and have no effect, except that the provisions of clauses 11, 12, 14 and 16 survive termination.
- 9.6 The termination of this deed does not affect any accrued rights or any Claim that a party may have against another party where that Claim arose before this deed was terminated.

10. REPRESENTATIONS AND WARRANTIES

Mutual representations and warranties

10.1 Each party represents and warrants to the other party (subject to obtaining any relevant Regulatory Approvals) each of the following matters as at the date of this deed and at 8:00 am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date):

10.1.1 **(status)** it validly exists and has been duly registered under the laws of its place of incorporation;

10.1.2 **(power)** it has full legal capacity and power to enter into this deed and carry out the transactions that this deed contemplates;

10.1.3 **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise it entering into this deed and carrying out the transactions that this deed contemplates;

10.1.4 **(document effective)** this deed constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms; and

10.1.5 **(no contravention)** neither its execution of this deed nor the carrying out by it of the transactions that it contemplates, does or will contravene:

10.1.5.1 any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;

10.1.5.2 any Authorisation held by it;

10.1.5.3 any undertaking or instrument binding on it or any of its property; or

10.1.5.4 its constitution.

Target representations and warranties

10.2 The Target represents and warrants to the Bidder each of the following matters as at the date of this deed and at 8:00 am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date):

10.2.1 **(information in Scheme Booklet)** the information contained in the Scheme Booklet (other than the Bidder Material and the Independent Expert's Report) will:

10.2.1.1 be prepared and included in the Scheme Booklet in good faith; and

10.2.1.2 comply in all material respects with the requirements of the Corporations Act, ASX Listing Rules and relevant ASIC regulatory guides.

10.2.2 **(Scheme Booklet not false or misleading)** to the Target's knowledge, as at the date of dispatch of the Scheme Booklet, the Scheme Booklet (other than the Bidder Material and the Independent Expert's Report) will not contain any material statement which is false or misleading (including because of any material omission); and

- 10.2.3 (schedule accurately details Target capital) Schedule 4 accurately records the total number and details of Target Shares, securities convertible into Target Shares, Target Options, notes or other securities issued by the Target at the date of this deed and the Target is not under any actual or contingent obligation to issue, convert or cancel any securities (other than as set out in Schedule 4).

Bidder representations and warranties

- 10.3 The Bidder represents and warrants to the Target each of the following matters as at the date of this deed and at 8:00 am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date):

- 10.3.1 (**Bidder Material**) the Bidder Material provided to the Target in accordance with clauses 7.1.1 and 7.1.2 for inclusion in the Scheme Booklet will:

10.3.1.1 be provided in good faith;

10.3.1.2 comply in all material respects with the requirements of the Corporations Act, ASX Listing Rules and relevant ASIC regulatory guides; and

10.3.1.3 be provided on the understanding that the Target will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;

- 10.3.2 (**no false or misleading statement**) to the Bidder's knowledge, as at the date of dispatch of the Scheme Booklet, the Bidder Material, in the form and context in which that information appears in the version of the Scheme Booklet registered with ASIC under section 412(6) of the Corporations Act, will not contain any material statement which is false or misleading (including because of any material omission);

- 10.3.3 (**information to Independent Expert**) all information provided by or on behalf of the Bidder to the Independent Expert to enable the Independent Expert's Report to be included in the Scheme Booklet to be prepared and completed will not contain any material statement which is false or misleading (including because of any material omission) and will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report for inclusion in the Scheme Booklet; and

- 10.3.4 (**no other approvals necessary**) to the Bidder's knowledge, no consents, approvals or other acts by its shareholders or a Government Agency are necessary to effect Implementation other than those identified in the definition of Regulatory Approvals in clause 1.1.

11. EXTENSION OF FORBEARANCE ARRANGEMENTS

- 11.1 The parties agree that the Forbearance Agreement is amended by:

- 11.1.1 inserting as new clause 10.1(v) the following:

"10.1(y) **Scheme Implementation Deed** means the scheme implementation deed between Atlantic and Droxford entered into on 6 April 2016."

11.1.2 deleting clause 5.1(iv) of the Forbearance Agreement and replacing it with the following after existing clause 5.1(iii):

"(iv) 30 business days after the Effective Date (as defined in the Scheme Implementation Deed);

(v) the date on which the Scheme Implementation Deed is terminated in accordance with clause 9 of the Scheme Implementation Deed; and

(vi) the independent director of the Target publicly recommends a Competing Proposal (as defined in the Scheme Implementation Deed) and does not, within three Business Days, reinstate his recommendation of the Scheme (as defined in the Scheme Implementation Date)."

12. RELEASE

12.1 Subject to section 199A of the Corporations Act and clause 12.2, no director, officer or employee of a party, is liable for anything done or purported to be done in connection with Implementation.

12.2 Clause 12.1 does not exclude a director, officer or employee from any liability which may arise from wilful misconduct or a grossly negligent act or omission on the part of the person.

12.3 Each party receives and holds the benefit of this release, to the extent that it relates to its directors, officers and employees, as trustee for them.

13. GST

GST pass on

13.1 If GST is or will be imposed on a supply made under or in connection with this document, to the extent that the consideration otherwise provided for that supply under this document is not stated to include an amount for GST on the supply:

13.1.1 the consideration otherwise provided for that supply under this document is increased by the amount of that GST; and

13.1.2 the recipient must make payment of the increase as and when the consideration otherwise provided for, or relevant part of it, must be paid or provided or, if the consideration has already been paid or provided, within 7 days of receiving a written demand from the supplier.

Tax Invoice

13.2 The right of the supplier to recover any amount in respect of GST under this document on a supply from the recipient is subject to the issuing of the relevant tax invoice or adjustment note.

Consideration exclusive of GST

- 13.3 Any consideration otherwise provided for a supply or payment obligation in connection with this document is exclusive of GST unless stated otherwise.

Adjustments

- 13.4 If there is an adjustment event in relation to a supply which results in the amount of GST on a supply being different from the amount in respect of GST already recovered by the supplier, as appropriate, the supplier within 14 days of becoming aware of the adjustment event:
- 13.4.1 may recover from the recipient the amount by which the amount of GST on the supply exceeds the amount already recovered by giving seven days written notice; or
 - 13.4.2 must refund to the recipient the amount by which the amount already recovered exceeds the amount of GST on the supply to the extent that the supplier is entitled to a refund or credit from the Commissioner of Taxation; and
 - 13.4.3 must issue an adjustment note or tax invoice reflecting the adjustment event in relation to the supply to the recipient within 28 days of the adjustment event.

Reimbursements

- 13.5 Costs actually or estimated to be incurred or revenue actually or estimated to be lost by a party that is required to be reimbursed or indemnified by another party, or used as the basis for calculation of consideration for a supply, under this document must exclude the amount of GST referable to the cost to the extent to which an entitlement arises or would arise to claim an input tax credit and any amount in respect of GST referable to the revenue.

14. CONFIDENTIALITY

Confidential Information

- 14.1 Subject to clause 14.2, each party acknowledges and agrees that all information and material disclosed or provided or obtained by either party, from the other, in the course of proposing, negotiating or implementing the Scheme (including information and material provided before or after the date of this deed but excluding information that is known by a party before the date of this deed that was not obtained on a confidential basis) are strictly confidential and may not be disclosed to any third party.

Permitted disclosures

- 14.2 Notwithstanding clause 14.1, a party may only use Confidential Information for the purposes of implementing the Scheme or disclose Confidential Information where such disclosure:
- 14.2.1 is made to an Authorised Person of that party for the purposes of implementing the Scheme, provided that the disclosing party ensures that the recipient only uses it for the purposes of implementing the Scheme and otherwise keeps the information confidential in accordance with this clause 14; or
 - 14.2.2 is required by law or a regulatory body (including a relevant stock exchange), court or governmental or administrative authority.

15. NOTICES

Notices only by authorised signatories

- 15.1 Any notice or communication that must or may be given by a party to this deed is only given if it is executed by that party or signed by an authorised signatory of that party. A person is an authorised signatory if he or she is a solicitor, director or company secretary of the relevant party, or if he or she is authorised in writing by that party.

Giving notices

- 15.2 Any notice or communication given to a party under this deed is only given if it is in writing and sent in one of the following ways:

15.2.1 delivered or posted to that party at its address set out in clause 15.6; or

15.2.2 emailed to that party at its email address set out in clause 15.6.

Change of address or email address

- 15.3 If a party gives the other party three business days' notice of a change of its address or email address, any notice or communication is only given by that other party if it is delivered or posted to the latest address or emailed to the latest email address.

Time notice is given

- 15.4 Any notice or communication is to be treated as given at the following time:

15.4.1 if it is delivered, when it is left at the relevant address;

15.4.2 if it is sent by post, two (or, in the case of a notice or communication posted to another country, nine) business days after it is posted; or

15.4.3 if it is sent by email, on the earlier of the sender receiving an automated message confirming delivery or, provided no automated message is received stating that the email has not been delivered, three hours after the time the email was sent by the sender, such time to be determined by reference to the device from which the email was sent.

- 15.5 However, if any notice or communication is given, on a day that is not a business day or after 5.00 pm on a business day, in the place of the party to whom it is sent it is to be treated as having been given at the beginning of the next business day.

Address for notices

- 15.6 For the purposes of this deed, the details for the receipt of notices or communications are as follows:

| Bidder | |
|----------|---|
| Name: | Droxford International Limited |
| Address: | 175A Bencoolen Street, #10-11/12 Burlington Square, Singapore |

| | |
|------------|------------------------|
| | 189650, Singapore |
| Email: | fpurnamasidi@gmail.com |
| Attention: | Ferdian Purnamasidi |

| Target | |
|------------|--|
| Name: | Atlantic Ltd |
| Address: | Level 11, 125 St Georges Terrace, Perth WA 6000, Australia |
| Email: | tveitch@atlantictld.com.au |
| Attention: | Tony Veitch |

Copies of notices

- 15.7 If a party is required by any term of this agreement to give a copy of any notice or communication to a person, the failure to give the copy of it to the person may not be raised to rebut that it was effectively given.

16. GENERAL

Governing law

- 16.1 This deed is governed by the law of Western Australia, Australia. Each party irremovably submits to the non-exclusive jurisdiction of its courts and courts of appeal from them. The parties will not object to the exercise of jurisdiction by those courts on any basis.

Appointment of local agent

- 16.2 The Bidder irrevocably appoints Terry Bourke to be its agent for service of process in connection with this deed and agrees that any document served in connection with this deed may be effectively served on it by service on its agent if sent to Terry Bourke c/- Mach Energy Australia Pty Ltd, Level 2, 179 Grey Street, South Brisbane QLD 4101, Australia.

Timetable

- 16.3 The parties acknowledge the Timetable as an indicative timetable and will consult with each other regularly in relation to:
- 16.3.1 performing their respective obligations within the framework established by the Timetable; and
 - 16.3.2 any need to modify the Timetable.

Stamp duty

- 16.4 The Bidder must pay all stamp duty payable (and any fines or penalties in respect of stamp duty) on this deed or the Scheme or any other transactions contemplated under this deed or the Scheme.

Costs and expenses

- 16.5 Subject to clause 16.4, the Target agrees to pay all expenses incurred in negotiating, preparing, executing and performance of the parties' respective obligations under this deed, including the proposed, attempted and actual implementation of the transactions contemplated under this deed.

Further acts

- 16.6 Each party must at its own expense promptly execute all documents and do or use reasonable endeavours to cause a third party to do all things that another party from time to time may reasonably request in order to give effect to, perfect or complete this deed and all transactions incidental to it.

Variation

- 16.7 No variation of this deed will be of any force or effect unless it is in writing and signed by each party to this deed.

Assignment

- 16.8 A party must not assign, novate or transfer any of its rights or obligations under this deed or attempt to do so without the prior written consent of each other party.

Waiver of rights

- 16.9 A waiver of any right, power or remedy under this deed must be in writing signed by the party granting it. A waiver only affects the particular obligation or breach for which it is given. It is not an implied waiver of any other obligation or breach or an implied waiver of that obligation or breach on any other occasion. The fact that a party fails to do, or delays in doing, something the party is entitled to do under this agreement does not amount to a waiver.

No partnership or agency

- 16.10 Nothing in this document is to be treated as creating a partnership and, except as specifically provided in this document, no party may act as agent of or in any way bind another party to any obligation.

Entire agreement

- 16.11 This deed contains everything the parties have agreed on in relation to the subject matter it deals with. No party can rely on an earlier written document or anything said or done by or on behalf of another party before this deed was executed.

No representation or reliance

- 16.12 Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed.
- 16.13 Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representations or inducements expressly set out in this deed.

Severability

- 16.14 Each provision of this deed is individually severable. If any provision is or becomes illegal, unenforceable or invalid in any jurisdiction, it is to be treated as being severed from this deed in the relevant jurisdiction, but the rest of this deed will not be affected. The legality, validity and enforceability of the provision in any other jurisdiction will not be affected.

Approvals and consents

- 16.15 Unless this deed expressly provides otherwise, a party may give or withhold an approval or consent in that party's absolute discretion and subject to any conditions determined by the party. A party is not obliged to give its reasons for giving or withholding a consent or approval or for giving a consent or approval subject to conditions. Where this deed refers to a matter being to the 'satisfaction' of a party, this means to the satisfaction of that party in its absolute discretion.

No merger

- 16.16 The rights and obligations of the parties will not merge on completion of any transaction under this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Scheme.

Execution of separate documents

- 16.17 This deed may be executed in any number of counterparts. All counterparts, taken together, constitute one instrument. A party may execute this deed by signing any counterpart.

EXECUTED AS A DEED:

DATE:

Executed by **ATLANTIC LTD ACN 009 213 763** acting by the following person or, if the seal is affixed, witnessed by the following person in accordance with section 127 of the *Corporations Act 2001* (Cth):

.....
Signature of director

.....
Signature of director / company secretary

.....
Name of director (print)

.....
Name of director

Executed by **DROXFORD INTERNATIONAL LIMITED** in accordance with the laws of its place of incorporation:

.....
Signature of director

.....
Name of director (print)

SCHEDULE 1: INDICATIVE TIMETABLE

| Step | Date | Action |
|------|-------------------|---|
| 1. | 7-8 April 2016 | Sign Implementation Deed and announce transaction |
| 2. | 22 April 2016 | Provide ASIC and Court with draft Scheme Booklet |
| 3. | 19 July 2016 | First Court Date |
| 4. | 22 July 2016 | Scheme Booklet registered by ASIC and lodged with ASX |
| 5. | 22 July 2016 | Dispatch Scheme Booklet |
| 6. | 24 August 2016 | Hold Scheme Meeting and announce results to ASX |
| 7. | 2 September 2016 | Second Court Date and announce to ASX |
| 8. | 5 September 2016 | Effective Date File Court order with ASIC and announce to ASX Target securities cease trading at close of trading on ASX |
| 9. | 12 September 2016 | Record Date for entitlements to Scheme Consideration |
| 10. | 19 September 2016 | Implementation Date Bidder issues Scheme Consideration |

SCHEDULE 2: SCHEME

See Annexure 3 of the Scheme Booklet

SCHEDULE 3: DEED POLL

See Annexure 4 of the Scheme Booklet

For personal use only

SCHEDULE 4: CAPITAL

Target's Capital

1. TARGET SHARES

1.1 Target has 154,757,405 fully paid ordinary shares on issue.

2. TARGET OPTIONS

2.1 Target has no options to subscribe for fully paid shares on issue.

Annexure 3 – Scheme

(1) ATLANTIC LTD

- and -

(2) SCHEME PARTICIPANTS

SCHEME OF ARRANGEMENT

(as amended on 27 June 2016]

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THIS SCHEME OF ARRANGEMENT is made under section 411 of the Corporations Act

BETWEEN:

- (1) **ATLANTIC LTD ACN 009 213 763** of Level 11, 125 St Georges Terrace, Perth WA 6000 ("Target")
- (2) **EACH PERSON REGISTERED AS A HOLDER OF FULLY PAID ORDINARY SHARES IN THE TARGET AS AT THE RECORD DATE (OTHER THAN THE BIDDER) ("Scheme Participants")**

BACKGROUND:

- A The Target and the Bidder have entered into the Implementation Deed, pursuant to which (among other things), the Target has agreed to propose this scheme to Target Shareholders and each of the Target and the Bidder have agreed to take certain steps to implement this scheme.
- B If the scheme becomes Effective, the Bidder will provide or procure the provision of the Scheme Consideration to the Scheme Participants in accordance with the provisions of this scheme, and the Bidder will acquire all Scheme Shares.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 The following definitions apply in this Scheme:

"ASIC" means the Australian Securities and Investments Commission;

"ASX" means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires;

"Bidder" means Droxford International Limited (I.B.C. Number 461087) of 175A Bencoolen Street, #10-11/12 Burlington Square, Singapore 189650;

"CHESS" means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Court" means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing;

"Deed Poll" means the deed poll executed by the Bidder dated 6 April 2016 under which the Bidder covenants in favour of the Scheme Participants to perform the obligations attributed to it under this Scheme;

"Effective" means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme;

"Effective Date" means the date on which this Scheme becomes Effective;

"End Date" had the meaning given in the Implementation Deed;

"Implementation" means the implementation of the Scheme, on it becoming Effective;

"Implementation Deed" means the scheme implementation deed between Target and Bidder dated 6 April 2016;

"Implementation Date" means the fifth Business Day following the Record Date;

"Operating Rules" means the official operating rules of ASX;

"Record Date" means 5:00 pm on the day which is five Business days after the Effective Date, or any other date (after the Effective Date) agreed by the parties to be the record date to determine entitlements to receive Scheme Consideration under this Scheme;

"Register" means the register of shareholders of the Target maintained by the Target Share Registry;

"Registered Address" means, in relation to a Target Shareholder, the address of the shareholder shown in the Register;

"Scheme" means this scheme of arrangement under Part 5.1 between the Target and the Scheme Participants subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Target and the Bidder;

"Scheme Consideration" means the consideration to be provided by the Bidder in consideration for the transfer of the Target Shares held by a Scheme Participant to the Bidder, being in respect of each Scheme Share, \$0.003 cash;

"Scheme Meeting" means the meeting of Target Shareholders to be convened as ordered by the Court under section 411(1) of the Corporations Act, to consider this Scheme;

"Scheme Participant" means each Target Shareholder as at the Record Date (taking into account registration of all registrable transfers and transmission applications received at the Target's share registry by the Record Date in accordance with clause 6.1);

"Scheme Share" means a Target Share held by a Scheme Participant;

"Second Court Date" means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard;

"Target Share" means a fully paid ordinary share in the capital of the Target;

"Target Share Registry" means Security Transfer Registrars Pty Limited of 770 Canning Highway, Applecross WA 6153, Australia; and

"Target Shareholder" means each person who is registered in the Register as a holder of Target Shares other than the Bidder and its associates.

Interpretation

1.2 In the interpretation of this Scheme, the following provisions apply unless the context otherwise requires:

- 1.2.1 a reference to "dollars" or "\$" means Australian dollars and all amounts payable under this deed are payable in Australian dollars;
- 1.2.2 an expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
- 1.2.3 where a word or phrase is given a defined meaning another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;
- 1.2.4 a word which indicates the singular also indicates the plural, a word which indicates the plural also indicates the singular, and a reference to any gender also indicates any other gender;
- 1.2.5 a reference to the word "include" or "including" is to be interpreted without limitation;
- 1.2.6 a reference to the word "owing" means actually or contingently owing, and "owe" and "owed" have an equivalent meaning;
- 1.2.7 a reference to a party, clause, part, schedule, annexure or attachment is a reference to a party, clause, part, schedule, annexure or attachment of or to this deed;
- 1.2.8 a reference to "associate", "controller", "entity", "officer", "relevant interest" and subsidiary have the same meaning as in the Corporations Act;
- 1.2.9 a reference to any document or agreement is to that document or agreement as amended, novated, supplemented or replaced;
- 1.2.10 the schedules, annexures and attachments form part of this deed;
- 1.2.11 headings are inserted for convenience only and do not affect the interpretation of this deed;
- 1.2.12 words defined in the GST Law have the same meaning in clauses concerning GST; and
- 1.2.13 a reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision, in either case whether before, on or after the date of this agreement.

Business day; references to and calculations of time

1.3 In this Scheme, unless the context otherwise requires:

- 1.3.1 a reference to a business day means a day other than a Saturday, Sunday or public holiday on which banks are open for business generally in the place the laws of which govern the construction of this deed;
- 1.3.2 a reference to a time of day means that time of day in the place whose laws govern the construction of this deed;
- 1.3.3 where a period of time is specified and dates from a given day or the day of an act or event it must be calculated exclusive of that day; and
- 1.3.4 a term of this deed which has the effect of requiring anything to be done on or by a date which is not a business day must be interpreted as if it required it to be done on or by the next business day.

2. BACKGROUND TO SCHEME

Target

- 2.1 The Target is a public company incorporated in Australia. It is registered in Western Australia and is a company limited by shares.
- 2.2 The Target is admitted to the official list of ASX and the Target Shares are quoted on the stock market conducted by ASX.
- 2.3 As at the date of the Implementation Deed, the Target had 154,757,405 Target Shares on issue.

Bidder

- 2.4 The Bidder is an unlisted company limited by shares incorporated in the British Virgin Islands. As at the date of the Implementation Deed, the Bidder holds 26,958,333 of Target Shares.

What happens if Scheme becomes Effective

- 2.5 If this Scheme becomes Effective then:
- 2.5.1 in consideration of the transfer of each Scheme Share held by the Scheme Participants, the Bidder will provide or procure the provision of the Scheme Consideration to each Scheme Participant in accordance with the terms of the Implementation Deed;
- 2.5.2 all the Scheme Shares (and all the rights and entitlements attaching to them as at the Implementation Date) will be transferred to the Bidder on the Implementation Date; and
- 2.5.3 the Target will enter the Bidder's name in the Register as the holder of all the Scheme Shares on the Implementation Date.

Implementation Deed

- 2.6 The Target and the Bidder have entered into the Implementation Deed, to facilitate the implementation of this Scheme.

Deed Poll

- 2.7 The Bidder has executed a Deed Poll under which it covenants to carry out its obligations under this Scheme including to pay, or procure the payment of, the Scheme Consideration to the Scheme Participants in accordance with the terms of this Scheme.

CONDITIONS PRECEDENT

Conditions precedent to this Scheme

- 2.8 This Scheme is conditional on and will have no force or effect until each of the following conditions are satisfied:
- 2.8.1 all the conditions set out in clause 4.2 of the Implementation Deed (other than the condition relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8:00 am on the Second Court Date;
 - 2.8.2 as at 8:00 am on the Second Court Date and immediately before Implementation, neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms;
 - 2.8.3 approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act agreed to in writing by the Target and the Bidder;
 - 2.8.4 such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to in writing by the Target and the Bidder having been satisfied or waived; and
 - 2.8.5 the orders of the Court made under section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect, under section 411(10) of the Corporations Act.

Parties to provide certificate to Court

- 2.9 The Target and the Bidder must provide to the Court on the Second Court Date, a joint certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not as at 8:00 am on the Second Court Date all the conditions set out in clause 4.2 of the Implementation Deed (other than the condition relating to Court approval of this Scheme) have been satisfied or waived.

Conclusive evidence

- 2.10 The giving of a certificate by the Target and the Bidder under clause 2.9 will be conclusive evidence that such conditions are satisfied, waived or taken to be waived.

End Date

- 2.11 This Scheme will lapse and be of no further effect if the Effective Date has not occurred on or before the End Date.

3. IMPLEMENTATION OF THIS SCHEME

Target to lodge orders with ASIC

- 3.1 The Target must lodge with ASIC an office copy of the Court order approving this Scheme in accordance with section 411(10) of the Corporations Act as soon as practicable and by no later than by 5:00 pm on the first business day after the date on which the Court makes that order.

Transfer of Scheme Shares

- 3.2 On the Implementation Date:

3.2.1 subject to the provision of the Scheme Consideration in the manner contemplated by this Scheme, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Participant (other than acts performed by the Target or its officers as agent and attorney for Scheme Participants under clause 7.1.5) by:

3.2.1.1 the Target delivering to the Bidder a duly completed and executed share transfer form to transfer all the Scheme Shares to the Bidder; and

3.2.1.2 the Bidder duly executing such transfer form, attending to the stamping of such transfer form (if required) and delivering it to the Target for registration; and

3.2.2 as soon as practicable after receipt of the transfer form under clause 3.2.1.2, the Target must enter the name of the Bidder in the Register in respect of all the Scheme Shares.

4. SCHEME CONSIDERATION

- 4.1 Each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant.

5. PROVISION OF SCHEME CONSIDERATION

Provision of Scheme Consideration

- 5.1 The Bidder satisfies its obligations to provide, or procure the provision of, the Scheme Consideration to Scheme Participants by:

5.1.1 paying, or procuring the payment of, by no later than two business days before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Participant into an Australian dollar denominated trust account operated by or on behalf of the Target, to be held on trust for the Scheme Participants and notified to the Bidder at least three business days prior to the Implementation Date, except that any interest on the amount deposited (less bank fees and other charges) will be to the Target's account; and

5.1.2 providing the Target with written confirmation of that payment.

5.2 Within five Business Days after the Implementation Date and subject to compliance with clause 5.1 by the Bidder, the Target must pay or procure the payment from the trust account referred to in clause 5.1 to each Scheme Participant such amount of Scheme Consideration as is due to that Scheme Participant under clause 5.1 in respect of all that Scheme Participant's Scheme Shares as set out in the Register on the Record Date.

5.3 The amount referred to in clause 5.2 must be paid by the Target doing either of the following in its absolute discretion:

5.3.1 sending (or procuring the Target Share Registry to send) that amount to the Scheme Participant's Registered Address by cheque in Australian currency drawn out of the trust account referred to in clause 5.1; or

5.3.2 if the Scheme Participant has a payment direction (including a direction used for the payment of dividends) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Target Share Register as at the Record Date, depositing (or procuring the Target Share Registry to deposit) that amount into that account in accordance with that direction.

Joint holders

5.4 In the case of joint holders of Scheme Shares, subject to clause 5.3, the Scheme Consideration must be paid by a cheque payable to and forwarded to the holder whose name appears first in the Register as at the Record Date or where the joint holders have nominated a bank account under clause 5.3.2, the amount must be deposited directly to the nominated bank account of the joint holders.

Unclaimed money

5.5 The Target may cancel a cheque issued under clause 5.3.1 if the cheque:

5.5.1 is returned to the Target; or

5.5.2 has not been presented for payment within six months after the date on which the cheque was sent,

provided that, within one year after the Implementation Date, on written request from a Scheme Participant to the Target (or the Target Share Registry), the Target must reissue a cheque that was previously cancelled under this clause 5.5.

5.6 Subject to clause 5.5, in the event that a cheque sent to the Scheme Participant's Registered Address by the Target for the purpose of clause 5.3.2, or a deposit into such an account is rejected or refunded, the Target may credit the amount payable to the relevant Scheme Participant to a separate bank account of the Target to be held on trust by the Target for the Scheme Participant until the Scheme Participant claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation (except that any interest accruing on the amount will be for the account of the Bidder after the deduction of any costs, expenses or applicable taxes). An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to that account. The Target must maintain records of the amount paid, the people who are entitled to the amounts and any transfer of the amounts.

Orders of governmental agency

- 5.7 If any amount is required under any law or by any government or any governmental, semi-governmental or judicial entity or authority to be:

5.7.1 withheld from an amount payable under clause 5.2 and paid to that entity or authority; or

5.7.2 retained by the Target out of an amount payable under clause 5.2,

its payment or retention by the Target (or the Target Share Registry) will constitute the full discharge of the Target's obligations under clauses 5.2 to 5.6 with respect to the amount so paid and or retained until, in the case of clause 5.7.2, it is no longer required to be retained.

6. DEALINGS IN TARGET SHARES

What Target Share dealings are recognised?

- 6.1 To establish the identity of the Scheme Participants, dealings in Target Shares or other alterations to the Register will only be recognised if:

6.1.1 in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Target Shares at or before the Record Date; and

6.1.2 in all other cases, registrable transfers or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at the Target Share Registry at or before the Record Date.

Target to register transfer and transmission applications

- 6.2 The Target will register registrable transfers or transmission applications of the kind referred to in clause 6.1.2 by, or as soon as practicable after, the Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2 requires the Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2, 'marketable parcel' has the meaning given in the Operating Rules).

Transfers received after Record Date not recognised

- 6.3 The Target will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after the Record Date, or received prior to the Record Date but not in registrable or actionable form (as appropriate).

Disposal of Scheme Shares of no effect

- 6.4 If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Record Date otherwise pursuant to this Scheme, and any attempt to do so will have no effect and the Bidder shall be entitled to disregard any such disposal.

Target to maintain Register to determine entitlements

- 6.5 In order to determine entitlements to the Scheme Consideration, the Target will maintain, or procure the maintenance of, the Register in accordance with this clause 6 until the Scheme Consideration has been paid to Scheme Participants and the Register in this form will solely determine entitlements to the Scheme Consideration.

Holding statements no effect from Record Date

- 6.6 From the Record Date, all holding statements for Target Shares will cease to have effect as documents of title in respect of those shares, and each entry on the Register (other than entries on the Register in respect of the Bidder) at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration.

Target to provide contact information for Scheme Participants

- 6.7 As soon as practicable after the Record Date and in any event at least three Business Days before the Implementation Date, the Target will provide to the Bidder or procure the provision to the Bidder of, the details of the name, Registered Address and the number of Target Shares held by each Scheme Participant, as shown in the Register at the Record Date, in a form the Bidder reasonably requires.

Suspension of trading

- 6.8 The Target must, unless the Target Shares are already suspended from trading, apply to ASX to suspend trading on ASX in Target Shares with effect from the close of trading on the Effective Date.

Target to apply for termination of quotation of Target Shares

- 6.9 On a date after the Implementation Date to be determined by the Bidder, the Target will apply for termination of the official quotation on the stock market conducted by ASX of Target Shares and must apply to have itself removed from the official list of ASX.

7. GENERAL PROVISIONS

Scheme Participants' agreements

- 7.1 Each Scheme Participant:
- 7.1.1 agrees to the transfer of their Target Shares, together with all rights and entitlements attaching to those Target Shares, to the Bidder, in accordance with this Scheme;
 - 7.1.2 agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme;
 - 7.1.3 agrees to, on the direction of the Bidder, destroy any share certificates relating to their Target Shares;
 - 7.1.4 acknowledges that this Scheme binds the Target and all Scheme Participants, including those who do not attend the Scheme Meeting, do not vote, or vote against the Scheme, at the Scheme Meeting;

7.1.5 without the need for any further act, irrevocably appoints the Target and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Participant's attorney and agent, and the Target accepts each such appointment, to:

7.1.5.1 enforce the Deed Poll against the Bidder, and the Target undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against the Bidder on behalf of and as agent and attorney for each Scheme Participant; and

7.1.5.2 execute any document or do any other act necessary, expedient or desirable to give full effect to this Scheme and the transactions contemplated by it, including the provision of a proper instrument of transfer of that Scheme Participant's Target Shares for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all or part of the Scheme Shares);

7.1.6 from the Effective Date until the Bidder is registered as the holder of all Scheme Shares:

7.1.6.1 is deemed to have appointed the chairman of the Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings of the Target, exercise the votes attaching to the Scheme Shares registered in the name of the Scheme Participant and sign any shareholders' resolution;

7.1.6.2 must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 7.1.6.1);

7.1.6.3 must take all other action in the capacity of a registered holder of Scheme Shares as the Bidder reasonably directs; and

7.1.6.4 acknowledges and agrees that in exercising the powers referred to in clause 7.1.6.1, the chairman of the Bidder may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

Alteration or conditions to the Scheme

7.2 If the Court proposes to approve this Scheme subject to any alteration or conditions, the Target may, by its counsel or solicitors, consent on behalf of all persons concerned, including each Scheme Participant, to those alterations or conditions to which the Bidder has consented to in writing.

Scheme is binding

7.3 The Scheme binds Target and all Scheme Participants and, to the extent of any inconsistency, overrides the constitution of the Target.

Target Shares transferred free from encumbrance

- 7.4 To the extent permitted by law, the Scheme Shares transferred to the Bidder under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.

Each Scheme Participant warrants Target Shares free from encumbrance

- 7.5 Each Scheme Participant is deemed to have warranted to the Target and the Bidder on the Implementation Date, and appointed and authorised the Target as its agent and attorney to warrant to the Bidder on the Implementation Date, that all their Target Shares (including any rights and entitlements attaching to those shares) will, as at the time of the transfer of them to the Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that they have full power and capacity to transfer their Target Shares (including any rights and entitlements attaching to those shares) to the Bidder under the Scheme. The Target undertakes in favour of each Scheme Participant that it will provide such warranty to the Bidder as agent and attorney of each Scheme Participant.

Bidder beneficially entitled to Scheme Shares

- 7.6 Immediately upon the provision of the Scheme Consideration to each Scheme Participant in accordance with clause 5.3, the Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by the Target of the name and address of the Bidder in the Register as the holder of the Scheme Shares.

8. GENERAL

Consent

- 8.1 Each Scheme Participant consents to the Target doing all things necessary or incidental to the Implementation of this Scheme, whether on behalf of the Scheme Participants, the Target or otherwise.

Notices

- 8.2 Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Target, it will be deemed to be received on the date (if any) on which it is actually received at Target's registered office and on no other date.
- 8.3 The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by any Target Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

Stamp duty

- 8.4 The Bidder must pay all stamp duty payable (and any fines or penalties in respect of stamp duty) in respect of this Scheme and the Deed Poll, or any other transactions contemplated under this Scheme or the Deed Poll.

Further acts

- 8.5 The Target must at its own expense promptly execute all documents and do or use reasonable endeavours to cause a third party to do all things that another party from time to time may reasonably request in order to give effect to, perfect or complete this Scheme and the transactions contemplated by it.

Governing law

- 8.6 This Scheme is governed by the law of Western Australia, Australia. Each party irremovably submits to the non-exclusive jurisdiction of its courts and courts of appeal from them. The parties will not object to the exercise of jurisdiction by those courts on any basis.

No liability when acting in good faith

- 8.7 Neither the Target nor the Bidder (nor any director, officer or secretary of either) will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure 4 – Deed Poll



DATED

7 April

2016

DROXFORD INTERNATIONAL LIMITED

DEED POLL

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THIS DEED POLL is made on

7 April

2016

BY:

- (1) **DROXFORD INTERNATIONAL LIMITED (I.B.C. Number 461087)** of 175A Bencoolen Street, #10-11/12 Burlington Square, Singapore 189650 ("**Bidder**")

IN FAVOUR OF:

- (2) **EACH PERSON REGISTERED AS A HOLDER OF FULLY PAID ORDINARY SHARES IN THE TARGET AS AT THE RECORD DATE (OTHER THAN THE BIDDER) ("Scheme Participants")**

BACKGROUND:

- A The Target and the Bidder entered into the Implementation Deed.
- B The Bidder makes this deed poll under for the purpose of covenanting in favour of the Scheme Participants to carry out its obligations under the Implementation Deed and the Scheme.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 The following definitions apply in this deed poll:

"ACCC" means the Australian Competition and Consumer Commission;

"**First Court Date**" means the first day of the hearing of the Court of an application for an order under section 411(1) of the Corporations Act convening of the Scheme Meeting;

"**Government Agency**" means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including the ACCC, ASIC, ASX, the Takeovers Panel, and any self-regulatory organisation established under statute or by ASX;

"**Implementation Deed**" means the scheme implementation deed between Target and Bidder dated 6 April 2016;

"**Scheme**" means the scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Target Shareholders substantially in the form of which is annexed to this deed poll, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by each party;

"**Takeovers Panel**" means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth); and

"**Target**" means Atlantic Ltd ACN 009 213 763.

- 1.2 Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

Rules for interpreting this document

- 1.3 The rules specified in clause 1.2 and 1.3 of the Scheme apply in interpreting this deed poll except that references to "this Scheme" are to be read as references to "this deed poll".

2. SCHEME PARTICIPANTS MAY RELY ON THIS DEED POLL

- 2.1 The Bidder acknowledges that:

- 2.1.1 this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it; and
- 2.1.2 under the Scheme, each Scheme Participant irrevocably appoints the Target as its agent and attorney to enforce this deed poll against the Bidder.

3. CONDITIONS PRECEDENT AND TERMINATION

Conditions

- 3.1 The Bidder's obligations under clause 4 are subject to the Scheme becoming Effective.

Termination

- 3.2 The Bidder's obligations to Scheme Participants under this deed poll will automatically terminate and the terms of this deed poll will be of no force or effect if the Implementation Deed terminates in accordance with its terms or the Scheme is not Effective on or before the End Date, unless the Bidder and the Target otherwise agree in writing.

Consequences of termination

- 3.3 If this deed poll is terminated under this clause 3 then, in addition and without prejudice to any other rights, powers or remedies available to it:
- 3.3.1 the Bidder is released from its obligations to further perform this deed poll except those obligations contained in clause 7 and any other obligations which by their nature survive termination; and
- 3.3.2 each Scheme Participant retains any rights, powers or remedies it has against the Bidder in respect of any breach of this deed poll which occurred before this deed poll was terminated.

4. PAYMENT OF SCHEME CONSIDERATION

Undertaking

- 4.1 Subject to clause 3, in consideration of the transfer of each Scheme Share to the Bidder, the Bidder must, subject to and in accordance with the terms of the Scheme:
- 4.1.1 pay, or procure the payment of, by no later than two business days before the Implementation Date, an amount equal to the aggregate amount of the Scheme

Consideration payable to each Scheme Participant into an Australian dollar denominated trust account operated by or on behalf of the Target, to be held on trust for the Scheme Participants and notified to the Bidder at least three business days prior to the Implementation Date, except that any interest on the amount deposited (less bank fees and other charges) will be to the Target's account; and

- 4.1.2 undertake or procure the undertaking of all other actions attributed to the Bidder under the Scheme.

5. REPRESENTATIONS AND WARRANTIES

- 5.1 The Bidder represents and warrants in favour of each Scheme Participant that:

- 5.1.1 **(status)** it is a corporation validly existing under the laws of its place of registration;
- 5.1.2 **(power)** it has full legal capacity and power to enter into this deed poll and to carry out the transactions that this deed poll contemplates;
- 5.1.3 **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its entry into this deed poll and its carrying out of the transactions this deed poll contemplates;
- 5.1.4 **(documents effective)** this deed poll constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditor's rights generally) subject to any necessary stamping; and
- 5.1.5 **(no contravention)** neither its execution of this deed nor the carrying out by it of the transactions that it contemplates, does or will contravene:
- 5.1.5.1 any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;
- 5.1.5.2 any Authorisation held by it;
- 5.1.5.3 any undertaking or instrument binding on it or any of its property; or
- 5.1.5.4 its constitution.

6. CONTINUING OBLIGATIONS

- 6.1 This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the Bidder has completely performed its obligations under this deed poll or the earlier termination of this deed poll under clause 3.

7. NOTICES

Notices only by authorised signatories

- 7.1 Any notice or communication that must or may be given in respect of this deed poll is only given if it is executed by that party or signed by an authorised signatory of that party. A person is an authorised signatory if he or she is a solicitor, director or company secretary of the relevant party, or if he or she is authorised in writing by that party.

Giving notices

7.2 Any notice or communication given to the Bidder under this deed poll is only given if it is in writing and sent in one of the following ways:

7.2.1 delivered or posted to the Bidder at its address set out in clause 7.5; or

7.2.2 emailed to the Bidder at its email address set out in clause 7.5.

Time notice is given

7.3 Any notice or communication is to be treated as given at the following time:

7.3.1 if it is delivered, when it is left at the relevant address;

7.3.2 if it is sent by post, two (or, in the case of a notice or communication posted to another country, nine) business days after it is posted; or

7.3.3 if it is sent by email, on the earlier of the sender receiving an automated message confirming delivery or, provided no automated message is received stating that the email has not been delivered, three hours after the time the email was sent by the sender, such time to be determined by reference to the device from which the email was sent.

7.4 However, if any notice or communication is given, on a day that is not a business day or after 5.00 pm on a business day, in the place of the party to whom it is sent it is to be treated as having been given at the beginning of the next business day.

Address for notices

7.5 For the purposes of this deed, the details for the receipt of notices or communications are as follows:

| Bidder | |
|---------------|---|
| Name: | Droxford International Limited |
| Address: | 175A Bencoolen Street, #10-11/12 Burlington Square, Singapore 189650, Singapore |
| Email: | fpurnamasidi@gmail.com |
| Attention: | Ferdian Purnamasidi |

8. VARIATION AND ASSIGNMENT

Variation

8.1 A provision of this deed poll may not be varied unless:

8.1.1 before the First Court Date, the variation is agreed to in writing by the Target; or

- 8.1.2 on or after the First Court Date, the variation is agreed to in writing by the Target and is approved by the Court; and
- 8.1.3 the Bidder enters into a further deed poll in favour of the Scheme Participants giving effect to that variation.

Assignment

- 8.2 The rights and obligations under this deed poll are personal to the Bidder and each Scheme Participant. They cannot be assigned, encumbered, charged or otherwise dealt with, and no person shall attempt or purport to do so.

9. GENERAL

Stamp duty

- 9.1 The Bidder must:
- 9.1.1 pay all stamp duty payable (and any fines or penalties in respect of stamp duty) in respect of the Scheme and the Deed Poll, or any other transactions contemplated under the Scheme or the Deed Poll; and
- 9.1.2 indemnify each Scheme Participant against any liability arising from failure to comply with clause 9.1.1.

Governing law

- 9.2 This deed poll is governed by the law of Western Australia, Australia. The Bidder irremovably submits to the non-exclusive jurisdiction of its courts and courts of appeal from them. The Bidder will not object to the exercise of jurisdiction by those courts on any basis.

Waiver of rights

- 9.3 A waiver of any right, power or remedy under this deed poll must be in writing signed by the Scheme Participant granting it. A waiver only affects the particular obligation or breach for which it is given. It is not an implied waiver of any other obligation or breach or an implied waiver of that obligation or breach on any other occasion. The fact that a Scheme Participant fails to do, or delays in doing, something the party is entitled to do under this deed poll does not amount to a waiver.

Rights cumulative

- 9.4 Any rights, powers and remedies of the Bidder and the Scheme Participants have under this deed poll are in addition to, and do not replace or limit, any other rights, powers and remedies the Bidder and the Scheme Participants may have.

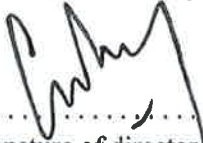
Further acts

- 9.5 The Bidder must at its own expense promptly execute all documents and do or use reasonable endeavours to cause a third party to do all things that another party from time to time may reasonably request in order to give effect to, perfect or complete this deed poll and all transactions incidental to it.

EXECUTED AND DELIVERED AS A DEED POLL:

DATE:

Executed by **DROXFORD**
INTERNATIONAL LIMITED in accordance
with the laws of its place of incorporation:



.....
Signature of director

Anthony Salim

.....
Name of director (print)

Annexure 5 – Notice of Scheme Meeting

ATLANTIC LTD
ABN 60 009 213 763

Notice of Scheme Meeting

Time: 11:30am (AWST)
Date: Wednesday, 24 August 2016
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 SCHEME MEETING

Atlantic Ltd ABN 60 009 213 763 (**Atlantic**) gives notice that the meeting of Atlantic Shareholders (**Scheme Meeting**) convened:

1. for the purposes of section 260B of the Corporations Act in relation to the Financial Assistance Resolution; and
2. by an order of the Federal Court of Australia made on 19 July 2016, pursuant to section 411(1) of the Corporations Act,

will be held at 11:30am (AWST) on Wednesday, 24 August 2016 at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia.

BUSINESS OF THE SCHEME MEETING

The purpose of this Scheme Meeting is to consider and, if thought fit, to:

1. pass the Financial Assistance Resolution as a **special resolution**; and
2. agree to a scheme of arrangement (with or without amendment or alterations or conditions required by the Court to which Droxford agree) proposed to be made between Atlantic and Atlantic Shareholders and to consider and, if thought fit, pass the Scheme Resolution.

The Scheme Booklet accompanying the Notice of Scheme Meeting constitutes an explanatory statement for the purposes of section 260B(4) of the Corporations Act in relation to the Financial Assistance Resolution and section 412(1) of the Corporations Act in relation to the Scheme Resolution.

Unless expressly defined in this Notice of Scheme Meeting, capitalised terms used in this notice have the meaning given to those terms in Section 11 of the Scheme Booklet.

RESOLUTIONS

1. Financial Assistance Resolution

"That, subject to and conditional upon:

- (a) *approval of the Scheme by the Requisite Majorities of Atlantic Shareholders at the Scheme Meeting; and*
- (b) *the Scheme becoming Effective,*

for the purposes of sections 260A(1) of the Corporations Act and for all other purposes, approval is given for any financial assistance to be given by Atlantic to Droxford in connection with the acquisition by Droxford of the Scheme Shares pursuant to the Scheme, including the payment of an amount equal to the Financial Assistance Amount by Atlantic to Droxford to finance payment by Droxford of the Scheme Consideration."

2. Scheme Resolution

"That, subject to and conditional upon approval of the Financial Assistance Resolution at the Scheme Meeting, pursuant to and in accordance with section 411 of the Corporations Act:

- (a) the scheme of arrangement proposed between Atlantic and Atlantic Shareholders (other than the Excluded Shareholders), as contained in and more particularly described in the Scheme Booklet accompanying this Notice of Scheme Meeting, is agreed to; and*
- (b) the Independent Director be authorised:*
 - (i) to agree to such alterations or conditions as are directed by the Court; and*
 - (ii) subject to approval of the Scheme by the Court, to implement the Scheme with any such alterations or conditions."*

CHAIRMAN

The Court has directed that Dr Michael John Daniel is to act as Chairman of the Scheme Meeting and has directed the Chairman to report the result of the Scheme Resolution to the Court.

Date 20 July 2016

By order of the Board
Tony Veitch
Company Secretary

EXPLANATORY NOTES FOR THE SCHEME MEETING

GENERAL

This Notice of Scheme Meeting relates to the Scheme and the Financial Assistance Resolution and should be read in conjunction with the accompanying Scheme Booklet. In particular, please refer to Sections 9.5 to 9.8 for additional information in relation to the Financial Assistance Resolution.

This Scheme Booklet provides an explanation of and contains additional important information to assist you in determining how to vote on the:

- Financial Assistance Resolution, including the information prescribed by sections 260B(4) of the Corporations Act; and
- Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations.

A copy of the Scheme is set out in Annexure 3 to the Scheme Booklet.

REQUIRED VOTING MAJORITY

The Financial Assistance Resolution must be approved by way of a special resolution (ie. 75% or more) of those Atlantic Shareholders present and voting (either in person, or by proxy or representative).

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be approved by the Requisite Majorities, being:

- a majority in number (ie more than 50%) of Atlantic Shareholders (other than Excluded Shareholders) who vote at the Scheme Meeting (either in person, or by proxy or representative), unless the Court orders otherwise; and
- at least 75% of the total number of Atlantic Shares voted by Atlantic Shareholders (other than Excluded Shareholders) at the Scheme Meeting (either in person, or by proxy or representative).

The vote on the Scheme Resolution will be conducted by poll.

COURT APPROVAL

Under section 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution is duly passed by the Requisite Majorities and the other conditions to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Atlantic intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

RIGHT TO VOTE

Subject to the exceptions below, each Atlantic Shareholder who is registered on the Register as at 11:30am (AWST) on Monday, 22 August 2016 is entitled to attend and vote at the Scheme Meeting.

In accordance with section 260B(1)(a) of the Corporations Act, the Excluded Shareholders are prohibited from voting on the Financial Assistance Resolution. Accordingly, Atlantic will disregard any votes cast in favour of the Financial Assistance Resolution by any Excluded Shareholder.

The voting prohibition does not prevent the casting of a vote if it is cast by a person as a proxy appointed in writing by an Atlantic Shareholder entitled to vote if the appointment specifies how the proxy is to vote on the Financial Assistance Resolution and that vote is not cast on behalf of any Excluded Shareholder.

Further, Excluded Shareholders will not vote on the Scheme Resolution.

HOW TO VOTE

Atlantic 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.

Voting in person

To vote in person, you must attend the Scheme Meeting. Atlantic Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

Voting by proxy

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

An Atlantic 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 an Atlantic 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 Atlantic Shareholder's votes.

To vote by proxy, the Proxy Form accompanying this Scheme Booklet must be completed and lodged in accordance with this Notice of Scheme Meeting and the instructions on the Proxy Form.

The Proxy Form must be signed by the Atlantic Shareholder or his / her attorney duly authorised in writing. If the Atlantic Shareholder is a company that has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If the company does not have a company secretary, the sole director must sign the Proxy Form. Otherwise, the Proxy Form must be signed by a director jointly with either another director or a company secretary. In the case of Atlantic Shares jointly held by two or more persons, all joint holders must sign the Proxy Form.

Voting by attorney

An Atlantic Shareholder entitled to attend and vote at the Scheme Meeting is also entitled to appoint an attorney to attend and vote on his or her behalf. An attorney need not be an Atlantic Shareholder.

The power of attorney appointing the attorney must be duly executed (if the appointer is an individual, the power of attorney must be signed in the presence of at least one witness) and specify the name of the Atlantic Shareholder, Atlantic and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

Lodgement of Proxy Documents

For an appointment of a proxy for the Scheme 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 Atlantic **by no later than** 11:30am (AWST) on Monday, 22 August 2016, 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 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. |

Rules for Proxies

If an Atlantic Shareholder appoints as proxy a person other than the Chair of the Scheme 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 Scheme 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 Scheme Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to Atlantic.

Jointly held securities

If Atlantic Shares are jointly held and, more than one member votes in respect of those jointly held Atlantic Shares, only the vote of the Atlantic Shareholder whose name appears first in the Register will be counted.

Advertisement

Where this Notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the Scheme Meeting from Atlantic's website (www.atlanticltd.com.au) or by contacting the Atlantic Registry.

For personal use only

Corporate Directory

DIRECTORS

Phiong Phillipus Darma
Director (Non-Executive)

Bradley James Ellis
Director (Non-Executive)

Michael John Daniel
Director (Non-Executive)

COMPANY SECRETARY

Anthony Scott Veitch

WEBSITE

www.atlanticltd.com.au

SECURITIES EXCHANGE LISTING

ASX (Code: ATI)

REGISTERED OFFICE

Atlantic Ltd
Level 24
Allendale Square
77 St Georges Terrace
Perth WA 6000
Australia

SHARE REGISTRY

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153
Australia

LEGAL ADVISER

DLA Piper Australia
Level 22
No. 1 Martin Place
Sydney NSW 2000
Australia

INDEPENDENT EXPERT

Deloitte Corporate Finance Pty Limited
Tower 2
Level 9
123 St Georges Terrace
Perth WA 6000
Australia

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ATIP3240816

Name:

()

This is the name and address on the Share Register of the Company. 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.

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 the Company.

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.

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 contacting the Company's share registry or you may photocopy this form.

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.

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.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Email registrar@securitytransfer.com.au

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 security holders, 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.