

# ATLAS

PEARLS AND PERFUMES

ABN 32 009 220 053

## **NOTICE OF EXTRAORDINARY GENERAL MEETING, EXPLANATORY MEMORANDUM AND PROXY FORM**

**Date of Meeting:** Tuesday, 13 May 2014

**Time of Meeting:** 2.00pm (AWST)

**Place of Meeting:** Atlas Pearls and Perfumes  
47 - 49 Bay View Terrace  
Claremont, Western Australia

# What action you need to take

## 1. Read the meeting documents

The following meeting documents set out important details of the Resolutions that will be put to Shareholders at the Extraordinary General Meeting of Atlas Pearls and Perfumes Ltd.

You should read all of the documents carefully.

## 2. Consider how you will vote

Your vote is important.

If you are in doubt as to how you should vote, you should seek independent advice from your accountant, solicitor or other professional advisor prior to voting.

## 3. Entitlement to Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 2.00pm (AWST) on 11 May 2014.

Persons entitled to vote at the Extraordinary General Meeting may vote by attending the Meeting in person, by proxy, or by an authorised representative.

## 4. Voting in Person

To vote in person, attend the Meeting at the time, on the date and at the place specified in this Notice of Meeting. Shareholders are asked to arrive at the venue 10 minutes prior to the time designated for the Meeting, if possible, so that the Company may check their shareholdings against the Company's Register of Shareholders and note attendances.

## 5. Voting by Proxy

Each Shareholder is entitled to appoint a proxy. Details on how to vote by proxy are set out below and in the accompanying Proxy Form.

Proxy Forms must be received by the Company before 2.00pm (AWST) on 11 May 2014. Proxy Forms received later than this time will be invalid.

A Proxy Form is attached to this Notice of Meeting and to be effective must be lodged with the Company:

- (a) at 47 - 49 Bayview Terrace, Claremont, WA 6010, Australia;
- (b) by post to PO Box 1048, Claremont, WA 6910, Australia; or
- (c) by facsimile on +61 8 9284 3031; or
- (d) by email to [atlas@atlaspearlsandperfumes.com.au](mailto:atlas@atlaspearlsandperfumes.com.au).

## 6. Corporate Representatives

Any body corporate wishing to appoint a person to act as its representative at the Extraordinary General Meeting may do so by providing that person with a certificate of appointment executed in accordance with section 250D of the Corporations Act, or a copy of the resolution by its directors or other governing body authorising the person to act as the corporate Shareholder's representative at the Meeting.

The certificate of appointment must be lodged with the Company by no later than 2.00pm (AWST) on 11 May 2014 or at the registration desk on the day of the Meeting.

Certificates of appointment of corporate representatives are available at [www.computershare.com](http://www.computershare.com) or on request by calling Computershare Investor Services on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).

**7. Key Dates**

<b>Event</b>	<b>Date</b>
Date and time for determining eligibility to vote	2.00pm (AWST) on 11 May 2014.
Deadline for lodgement of Proxy Forms	2.00pm (AWST) on 11 May 2014.
Date and time of Extraordinary General Meeting	2.00pm (AWST) on 13 May 2014.

**8. Queries**

If you have any queries about any matters contained in these meeting documents, please call the Company Secretaries, Stephen Gleeson and Susan Hunter, on +61 8 9284 4249.

# NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS GIVEN** that the Atlas Pearls and Perfumes Ltd (**Company**) Extraordinary General Meeting of Shareholders will be held at Atlas Pearls and Perfumes, 47 - 49 Bay View Terrace, Claremont, Western Australia on Tuesday, 13 May 2014 commencing at 2.00pm (AWST).

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on the below matters to be considered at the Extraordinary General Meeting and forms part of this Notice of Meeting. Terms and abbreviations used in this Notice of Meeting are defined in the Glossary contained in the Explanatory Memorandum.

## BUSINESS

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### RESOLUTION 1 – RATIFICATION OF OPTION ISSUE

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

**“That pursuant to ASX Listing Rule 7.4 and for all other purposes, the issue on 24 February 2014 of 7,500,000 Options exercisable at \$0.0858 each on or before 31 December 2016, issued to employees and contractors of the Company on the terms and conditions set out in the Explanatory Memorandum, be ratified.”**

#### Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and an Associate of those persons. However, the Company will not disregard a vote if (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or (b) it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### RESOLUTION 2 – APPROVAL OF ATLAS PEARLS AND PERFUMES LTD EMPLOYEE OPTION PLAN

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

**“That, for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given for the Company to establish and maintain the Atlas Pearls and Perfumes Employee Option Plan (Plan) on the terms and conditions summarised in the accompanying Explanatory Memorandum and the grant of Options from time to time under the Plan.”**

#### Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will also disregard any votes cast on this Resolution by a member of the Key Management Personnel or their closely related parties, as proxy for another person, where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

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### **RESOLUTION 3 - APPROVAL OF GRANT OF OPTIONS TO STEPHEN BIRKBECK**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

**“That for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to issue 10,000,000 Options to Stephen Birkbeck on the terms and conditions set out in the Explanatory Memorandum.”**

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr Birkbeck and any Associate of Mr Birkbeck. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will also disregard any votes cast on this Resolution by a member of the Key Management Personnel or their closely related parties, as proxy for another person, where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

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### **RESOLUTION 4 - APPROVAL OF GRANT OF OPTIONS TO JOSEPH TAYLOR**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

**“That for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to issue 500,000 Options to Joseph Taylor on the terms and conditions set out in the Explanatory Memorandum.”**

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Dr Taylor and any Associate of Dr Taylor. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will also disregard any votes cast on this Resolution by a member of the Key Management Personnel or their closely related parties, as proxy for another person, where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

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### **RESOLUTION 5 - APPROVAL OF ISSUE OF SHARES TO STEPHEN ARROW**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

**“That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 4,748,031 Shares to Stephen Arrow or his nominee on the terms and conditions set out in the Explanatory Memorandum.”**

### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr Arrow and any Associate of Mr Arrow. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### **MAJORITY REQUIRED FOR RESOLUTIONS TO BE PASSED**

All Resolutions will be passed if at least 50% of the votes on that Resolution (either in person, by proxy or by authorised representative) are in favour of that Resolution.

By order of the Board

A handwritten signature in black ink, appearing to read 'S. Hunter'.

Susan Hunter  
Joint Company Secretary  
11 April 2014

# ATLAS PEARLS AND PERFUMES LTD

ABN 32 009 220 053

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist Shareholders with their consideration of the Resolutions proposed for the Extraordinary General Meeting of the Company to be held at Atlas Pearls and Perfumes, 47-49 Bay View Terrace, Claremont, Western Australia at 2.00pm (AWST) on Tuesday, 13 May 2014.

The purpose of this Explanatory Memorandum is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions. Terms and abbreviations used in this Explanatory Memorandum are defined in the Glossary.

### 1. RESOLUTION 1 – RATIFICATION OF OPTION ISSUE

On 24 February 2014, the Company issued 7,500,000 Options exercisable at \$0.0858 each on or before 31 December 2016 to certain employees and contractors of the Company. The Options are subject to certain vesting conditions specific to each employee and contractor. The Options were issued in accordance with the terms and conditions of the Plan. Approval of the Plan is the subject of Resolution 2 of this Notice of General Meeting.

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue of the 7,500,000 Options exercisable at \$0.0858 each on or before 31 December 2016 issued on 24 February 2014.

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as options), if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides however that an issue under Listing Rule 7.1 is treated as having been made with Shareholder approval if each of the following applies:

- the issue did not breach Listing Rule 7.1; and
- Shareholders subsequently approve it.

This issue of 7,500,000 Options was within the Company's 15% limit and subsequent approval under Listing Rule 7.4 is now being sought in order to reinstate the 15% limit.

In accordance with Listing Rule 7.5 the following information is provided in relation to Resolution 1:

- (a) 7,500,000 Options were issued on 24 February 2014.
- (b) The Options were issued for no monetary consideration.
- (c) Each Option is exercisable at \$0.0858 each into one Share on or before 31 December 2016 and are subject to certain vesting conditions specific to each employee and contractor. The exercise price of an Option may be paid using the Cashless Exercise Facility (see item 2 of Annexure A for further details). The Options were issued on the terms set out in item 3 of Annexure A.
- (d) The Options were issued to certain employees and contractors of the Company. None of the Options were issued to Related Parties of the Company.
- (e) No funds will be raised by the grant of the Options. Any funds raised by the exercise of Options will be used for working capital.

- (f) An appropriate voting exclusion statement is included in the Notice of Extraordinary General Meeting.

## **1.1 Board recommendation**

The Directors recommend that the Shareholders vote in favour of this Resolution.

## **2. RESOLUTION 2 – APPROVAL OF ATLAS PEARLS AND PERFUMES LTD EMPLOYEE OPTION PLAN**

On 24 February 2014, the Board adopted the Atlas Pearls and Perfumes Ltd Employee Option Plan (**Plan**) under which eligible participants may be granted Options to acquire Shares in the Company.

The intention of the Plan is to reward and to provide ongoing incentives to Directors, executives, employees, consultants and contractors of the Company.

Resolution 2 seeks Shareholder approval for the Plan for the purposes of Listing Rule 7.2 (Exception 9).

The Directors, executives, employees and contractors of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plan is an appropriate method to:

- (a) reward Directors, executives, employees, consultants and contractors for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Directors, executives, employees, consultants and contractors and generate loyalty; and
- (d) assist to retain the services of valuable Directors, executives, employees, consultants and contractors.

The Plan will be used as part of the remuneration planning for Directors, executives, employees and contractors.

The Corporate Governance Council Guidelines (**Guidelines**) recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals. The Board considers that the Plan will assist the Company in structuring the remuneration packages of its executives in accordance with the Guidelines.

### **2.1 ASX Listing Rule 7.2 Exception 9**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

One of the exceptions to ASX Listing Rule 7.1 is Listing Rule 7.2 Exception 9, which provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the 3 years before the date of issue, shareholders have approved the issue as an exception to ASX Listing Rule 7.1.

The effect of Resolution 2 will be to allow the Directors to grant Options pursuant to the Plan during the period of 3 years after the General Meeting (or a longer period, if allowed by ASX), and to issue Options without using the Company's 15% annual placement capacity.



In the case of a Director, no Options may be issued to the Director without separate Shareholder approval pursuant to ASX Listing Rule 10.14.

## **2.2 Information required by the ASX Listing Rules – Terms of the Plan**

A summary of the terms of the Plan is provided at Annexure A to this Notice of General Meeting. A full copy of the Plan will be made available to any Shareholder on request.

As at the date of the Explanatory Memorandum, 7,500,000 Options were issued on 24 February 2014 in accordance with the terms and conditions of the Plan (which was adopted on the same date as the 7,500,000 Options were issued). Ratification of the issue of the 7,500,000 Options is the subject of Resolution 1 of this Notice of General Meeting. Approval of the Plan is the subject of Resolution 2 of this Notice of General Meeting.

A voting exclusion statement in respect of Resolution 2 has been included in this Notice of General Meeting.

## **2.3 Board recommendation**

The Board recommends that the Shareholders vote in favour of this Resolution.

## **3. RESOLUTIONS 3 AND 4: APPROVAL OF GRANT OF OPTIONS TO STEPHEN BIRKBECK AND JOSEPH TAYLOR**

### **3.1 Background**

Resolutions 3 and 4 seek Shareholder approval in accordance with Listing Rule 10.14 and Chapter 2E of the Corporations Act for the grant of a total of 10,500,000 Options to Directors.

The purpose of the proposed grant of the Options is for the Company both to motivate and retain its long serving and dedicated executive Directors, whilst minimising cash outflows through the payment of executive salaries and Directors' fees. It is noted that the total number of Options proposed to be granted would, if exercised, represent approximately 3.2% of the Company's share capital if no other Shares are issued in the meantime, and the exercise of the Options would deliver significant capital to the Company.

### **3.2 Reason approval required**

Shareholder approval is required under Listing Rule 10.14 and section 208 of the Corporations Act because the Directors are Related Parties of the Company.

### **3.3 Listing Rule 10.14**

Listing Rule 10.14 provides that a company must not issue securities to a director of the company under an employee incentive scheme unless the issue has been approved by holders of ordinary securities. If approval is given by Shareholders under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11 (which provides a restriction against issuing securities to directors without shareholder approval).

Under Resolutions 3 and 4, the Company seeks approval from Shareholders for the issue of Options to the Directors, Stephen Birkbeck (or nominee) and Joseph Taylor (or nominee), who by virtue of their position as Directors of the Company are Related Parties of the Company.

### **3.4 Information required for approval under Listing Rule 10.14**

In compliance with the information requirements of Listing Rule 10.15, Shareholders are advised of the following information:

- (a) It is proposed that the maximum total number of 10,500,000 Options will be issued to the Directors as follows:

Name of Director	Total Number of Options to be issued
Stephen Birkbeck	10,000,000
Joseph Taylor	500,000

- (b) Each Option will be granted for no monetary consideration and will be exercisable at \$0.0858 each on or before 31 December 2016. The exercise price of an Option may be paid using the Cashless Exercise Facility (see item 2 of Annexure A for further details).
- (c) As this is a new employee incentive plan which has not been previously approved by Shareholders, the only Options which have been issued to date in accordance with the terms of the Plan are the Options issued to employees and contractors, the subject of Resolution 1 of this Notice of General Meeting.
- (d) All Directors, senior executives, contractors, consultants or employees of the Company or an associated body corporate are eligible to participate in the Plan.
- (e) A voting exclusion statement is included in the Notice.
- (f) No loan will be provided in respect of any issue of Options under the Plan.
- (g) The Company will issue the Options no later than 12 months after the date of the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules.

### 3.5 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of “financial benefits” to “related parties” by a public company. Chapter 2E prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

A “related party” is widely defined under the Corporations Act, and includes the directors of the company under section 228 of the Corporations Act. As such, the Directors of the Company are Related Parties of the Company for the purposes of section 208 of the Corporations Act.

A “financial benefit” is construed widely and in determining whether a financial benefit is being given, section 229 of the Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. Section 229 of the Corporations Act includes as an example of a financial benefit, the issuing of securities or the granting of an option to a Related Party.

The issue of the Options under Resolutions 3 and 4 constitute the provision of a financial benefit to a Related Party.

### 3.6 Information requirements for Chapter 2E of the Corporations Act

In compliance with the information requirements of section 219 of the Corporations Act, Shareholders are advised of the information below. Neither the Directors nor the Company are

aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 3 and 4.

**(a) Identity of the Related Parties to whom Resolutions 3 and 4 permit financial benefits to be given.**

The Options will be issued to Stephen Birkbeck (or nominee) and Joseph Taylor (or nominee), each a Director of the Company and is, as such, a Related Party of the Company.

**(b) Nature of the financial benefit**

Resolutions 3 and 4 seek approval from Shareholders to allow the Company to issue an aggregate of 10,500,000 Options to the Related Parties for no monetary consideration.

Item 3 of Annexure A of this Notice of Meeting sets out the key terms of the Options.

The Shares to be issued upon vesting of the Options will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

**(c) Valuation of financial benefit**

On the basis of the assumptions below the Company has received a valuation from BDO who have determined the technical value of one Option approximates \$0.022 as at 1 April 2014. This valuation imputes a total value of approximately \$231,000 (respectively \$220,000 for Mr Birkbeck and \$11,000 for Dr Taylor) for the proposed Options.

The value may go up or down as it will depend in part on the future price of a Share.

The Black & Scholes methodology has been used, together with the following assumptions:

- (i) interest rate set at 3.06% which is based on the Australian Government 3 year bond rate as at the date of valuation;
- (i) the date of valuation for the purposes of setting the current market value of a Share and the exercise price of an Option is 1 April 2014;
- (ii) a Share price of \$0.067 being the closing price on ASX on 1 April 2014;
- (iii) the exercise price of each Option is \$0.086; and
- (iv) volatility of 60% which is based on an option volatility calculator for one, two and three year periods.

**(d) Dilution**

The dilution effect if Resolutions 3 and 4 are approved and all Options are exercised and no additional Shares are issued is as follows:

Current Number of Shares on Issue	321,868,421
Number of Options to be offered	10,500,000
Dilution Effect if all Options exercised	3.26%

**(e) Interests of Stephen Birkbeck and Joseph Taylor in the Company**

The current relevant interests in security holdings of the Directors are as follows:

Name of Director	Shares
Stephen Birkbeck	43,127,199
Joseph Taylor	1,400,000

**(f) Remuneration of Directors**

The current remuneration of each of the Directors (excluding the proposed Options) is as follows:

**(i) Stephen Birkbeck:**

- Base Salary - \$175,000 plus superannuation.
- Salary for Chairmanship of Essential Oils of Tasmania - \$50,000 plus Superannuation.
- Other Salary Packaged items related to the provision of management services to the World Senses Joint Venture, travel allowances, office cost reimbursement and Intellectual Property research activities related to the manufacture of oyster pearl powders totalling \$105,000.

**(ii) Joseph Taylor:**

- Directors fees - \$50,000 per annum inclusive of statutory superannuation (less any PAYG withholding tax as required by law).
- \$750 per day in consulting fees for pearl technical and Indonesian entity support.

**(g) Other information**

The Directors consider that the issue of Options to its personnel are a cost effective and efficient means for the Company to provide incentive to its personnel as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. The Company considers that, to enable the Company to secure and retain employees and directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The issue of the Options is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated in Resolutions 3 and 4.

### **3.7 Board recommendation**

The Directors of the Company other than Stephen Birkbeck and Joseph Taylor who have an interest in the outcome of Resolutions 3 and 4 respectively, recommend that the Shareholders vote in favour of Resolutions 3 and 4.

## **4. RESOLUTION 5: APPROVAL OF ISSUE OF SHARES TO STEPHEN ARROW (OR NOMINEE)**

### **4.1 Background**

Resolution 5 seeks Shareholder approval in accordance with Listing Rule 10.11 for the issue of Shares to Stephen Arrow (or his nominee).

The purpose of the issue of 4,748,031 Shares is reimbursement for the sale of Arrow Pearl Co Pty Ltd pearls at the February 2014 auction in accordance with an arrangement to remit the proceeds in Atlas Shares at \$0.065 each. Arrow Pearl Co Pty Ltd is an entity controlled by Stephen Arrow.

### **4.2 Reason approval required**

Listing Rule 10.11 provides that, unless a specified exception applies, a Company must not issue or agree to issue securities to a Related Party without the approval of ordinary shareholders.

Shareholder approval is required under Listing Rule 10.11 because Stephen Arrow is a Director and therefore a Related Party of the Company.

If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **4.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the issue:

- (a) It is proposed that the Shares will be issued to Stephen Arrow (or nominee).
- (b) The maximum number of Shares to be issued to Stephen Arrow is 4,748,031 Shares.
- (c) The proposed issue of Shares will occur no later than 1 month after approval of the Resolution or such later date to the extent permitted by an ASX waiver of the Listing Rules.
- (d) Each Share will be issued for deemed consideration of \$0.065 each. The Shares rank equally in all respects with the existing Shares on issue. A voting exclusion statement is included in the Notice of General Meeting.
- (e) The Shares are being issued in satisfaction of an amount owed to Arrow Pearl Co Pty Ltd for sale by Atlas of Arrow Pearl Co Pty Ltd pearls on consignment to Atlas at the Atlas February 2014 pearl auction held in Japan and as such no funds will be raised by the issue.

### **4.4 Board recommendation**

Stephen Arrow has an interest in Resolution 5 and therefore believes it inappropriate to make a recommendation. The remaining Directors of the Company recommend that the Shareholders vote in favour of Resolution 5.

## 5. GLOSSARY

<b>Associate</b>	has the meaning set out in sections 11 to 17 of the Corporations Act, except that a reference to “Associate” in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.
<b>ASX</b>	means ASX Limited (ABN 98 008 624 691), or as the context requires, the financial market operated by it.
<b>AWST</b>	means Australian Western Standard Time.
<b>Board</b>	means the board of Directors of the Company.
<b>Cashless Exercise Facility</b>	has the meaning given to that term in item 2 of Annexure A.
<b>Chairman</b>	means the chair of the Extraordinary General Meeting.
<b>Company or Atlas</b>	means Atlas Pearls and Perfumes Ltd (ABN 32 009 220 053).
<b>Constitution</b>	means the Company’s constitution.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Explanatory Memorandum</b>	means this explanatory memorandum attached to the Notice of Meeting.
<b>Extraordinary General Meeting or General Meeting or Meeting</b>	means the Extraordinary General Meeting of Shareholders to be held at Atlas Pearls and Perfumes, 47-49 Bay View Terrace, Claremont, WA 6010 at 2.00pm (AWST) on Tuesday, 13 May 2014.
<b>Key Management Personnel</b>	key management personnel of the Company (as defined in Section 9 of the Corporations Act).
<b>Listing Rules</b>	means the listing rules of the ASX.
<b>Notice of Extraordinary General Meeting or Notice of General Meeting or Notice of Meeting</b>	means the notice of Extraordinary General Meeting accompanying this Explanatory Memorandum.
<b>Option</b>	means an option to subscribe for a Share on the terms set out in the Explanatory Memorandum.
<b>Plan</b>	means the Atlas Pearls and Perfumes Ltd Employee Option Plan. A summary of the terms of the Plan is included as Annexure A of the Notice of Meeting.
<b>Proxy Form</b>	means the proxy form attached to the Notice of General Meeting.
<b>Register of Shareholders</b>	means the register of Shareholders of the Company.
<b>Related Party</b>	means a party so defined by section 228 of the Corporations Act.
<b>Resolution</b>	means a resolution proposed to be passed at the Extraordinary General Meeting and contained in the

Notice of Meeting.

**Share**

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

**Shareholder**

means a person, corporation or body holding a Share on the Register of Shareholders.

**Trading Day**

means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP**

means the volume weighted average price.

## **ANNEXURE A**

### **SUMMARY OF THE ATLAS PEARLS AND PERFUMES LTD EMPLOYEE OPTION PLAN**

#### **1. Outline of Operation of the Plan**

The objective of the Plan is to provide an incentive to employees, directors and executives to share in the performance of the Company by aligning the interests of employees and shareholders and assisting the Company to attract and retain employees with the requisite capability.

Persons eligible to participate in the Plan include Directors, senior executives, contractors, consultants or employees of the Company or an associated body corporate, who are invited by the Board to participate in the Plan via an offer.

When an employee accepts an offer to participate in the Plan and is issued Options they will become a participant of the Plan. The Company will issue Options to participants of the Plan which may vest on satisfaction of performance conditions which will be determined by the Board in its discretion and as set out in an offer.

Upon the vesting of an Option, participants may elect to exercise the Option for the exercise price (as set by the Company), into Shares.

No issue or allocation of Options and/or Shares will be made to the extent that it would contravene the constitution of the Company, Listing Rules, the Corporations Act or any other applicable law. Following the issue of Shares, participants will be entitled to exercise all rights of a Shareholder attaching to the Shares.

The Company may impose such restrictions on Shares under the Plan for such period as it sees fit. Subject to the Corporations Act and the Listing Rules, the Board will have the power to amend the Plan as it sees fit.

#### **2. Cashless Exercise Facility**

Participants may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the participant will receive Shares to the value of the surplus after the exercise price has been set off.

If a participant elects to use the Cashless Exercise Facility, the participant will only be issued that number of Shares (rounded down to the nearest whole number) as are equal to the value to the difference between the exercise price otherwise payable for the Options and the then market value of the Shares at the time of exercise (determined as the VWAP of Shares on the ASX over the five trading days prior to exercise).

#### **3. Terms of Options**

Each Option shall entitle its holder to subscribe for one Share. Options shall not be listed for official quotation on ASX.

The Company will issue Options to participants of the Plan which may vest on satisfaction of performance conditions which will be determined by the Board in its discretion and as set out in an offer. The Board may at any time waive or change a performance condition (acting reasonably) if the Board considers it appropriate to do so.

The exercise price payable on exercise of an Option will be determined by the Board in its discretion, provided that in no event shall the exercise price be less than 143% of the VWAP of Shares sold on ASX during the 5 business days up to and including the grant date or such other period as determined by the Board in its discretion. The exercise price shall be payable in full on exercise of the Options.



Shares issued on exercise of Options will be issued on the same terms and conditions and rank equally in all respects as the existing Shares in the capital of the Company.

The Company shall, in accordance with the Listing Rules, make an application to have Shares issued to the participant, pursuant to an exercise of Options listed for official quotation on ASX.

The Options shall lapse on the earliest of the relevant dates set out below:

- (a) the expiry date specified by the Board upon the grant of an Option;
- (b) the date the performance condition(s) (if any) not being satisfied prior to the end of the performance period(s) specified by the Board;
- (c) the date of any transfer or purported transfer of the Option in breach of any applicable restrictions;
- (c) the date on which the participant's appointment with the Company is terminated for cause;
- (d) unless the Board agrees otherwise, 30 days after the participant's resignation or they cease to be employed by reason of death, disability, or bona fide redundancy; and
- (e) six months after a change of control event which gives rise to a vesting under the Plan.

If a change of control event occurs, a takeover bid is made for the Company's shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur) then Board may declare that any unvested Options which have not lapsed, will vest.

In the event of a reconstruction (including consolidation, subdivision, reduction or return of the issued capital of the Company), the terms of the Options will be reconstructed in a manner determined by the Board which complies with the Listing Rules.

There are no participating rights or entitlements inherent in the Options and participants will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six business days after the issue is announced so as to give participants the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.

If, the Company makes a pro rata issue of Shares to the holders of Shares the exercise price in respect of any unexercised Options may be adjusted in accordance with the Listing Rules.

If the Company makes a bonus issue of securities, the rights of a participant in respect of an unexercised Option will be modified such that the participant will receive upon exercise of an Option, one Share plus such additional securities which the participant would have received had the Participant been entitled to participate in the bonus issue.

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**ATLAS PEARLS AND PERFUMES LTD**  
ABN 32 009 220 053  
**PROXY FORM - EXTRAORDINARY GENERAL MEETING**  
**APPOINTMENT OF PROXY**

I/We

Shareholder Reference Number (SRN)/  
Holder Identification Number (HIN)

being a member of Atlas Pearls and Perfumes Ltd entitled to attend and vote at the Extraordinary General Meeting

Appoint

OR

☐

Mark this box if you wish to appoint the Chairman of the Extraordinary General Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Extraordinary General Meeting, or the Chairman's nominee, as my/our proxy and to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting to be held at 2.00pm (AWST) on Tuesday, 13 May 2014 at Atlas Pearls and Perfumes, 47-49 Bay View Terrace, Claremont, Western Australia and at any postponement or adjournment thereof.

The Chair of the Meeting intends to vote undirected proxies in favour of all Resolutions.

☐

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolutions 2, 3 and 4 please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even though Resolutions 2, 3 and 4 are connected directly or indirectly with remuneration of a member of Key Management Personnel. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 2, 3 and 4 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 3.

**Voting on Business of the Extraordinary General Meeting**

	FOR	AGAINST	ABSTAIN
Resolution 1 – Ratification of Option Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Approval of Atlas Pearls and Perfumes Ltd Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Approval of Grant of Options to Stephen Birkbeck	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of Grant of Options to Joseph Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval of Issue of Shares to Stephen Arrow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Note:** If you mark the abstain box for a Resolution, you are directing your proxy not to vote on the Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is  %

Signed this                      day of                      2014.

**Authorised signature(s)**

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

**INDIVIDUAL/SECURITY  
HOLDER 1**

Individual/Sole Director and  
Sole Company Secretary

**SECURITY HOLDER 2**

Director

**SECURITY HOLDER 3**

Director/Company Secretary

**Contact Email address**

**Contact Telephone Number**

## ATLAS PEARLS AND PERFUMES LTD

ABN 32 009 220 053

### Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at an Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company. If a second Proxy Form is required, the Shareholder should contact the Company or alternatively copy the first blank Proxy Form.
2. A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Please refer to the Proxy Form for further instructions on how to vote. If more than one box is marked on an item the vote will be invalid on that item.
3. Where a member's holding is in one name the holder must sign. Where the holding is in more than one name, all members should sign.
4. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under a power of attorney, the power of attorney or a certified copy of it must be lodged in like manner as this Proxy Form.
5. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127(1) of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - (a) 2 directors of the company;
  - (b) a director and a company secretary of the company; or
  - (c) for a proprietary company that has a sole director who is also the sole company secretary, that director.

For the Company to rely on the assumptions set out in section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of section 127(1) or (2) as applicable. In particular, a person who signs the document or witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

6. Completion of a Proxy Form will not prevent individual members from attending the Extraordinary General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Extraordinary General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Extraordinary General Meeting.
7. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) delivery to the Company at 47 - 49 Bayview Terrace, Claremont, WA 6010;
  - (b) post to the Company at PO Box 1048, Claremont, WA 6910; or
  - (c) facsimile to the Company on +61 (08) 9284 3031; or
  - (d) emailing it to the Company at [atlas@atlaspearlsandperfumes.com.au](mailto:atlas@atlaspearlsandperfumes.com.au),

so that it is received not later than 2.00pm (AWST) on 11 May 2014.

**Proxy forms received later than this time will be invalid.**