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ASX: ATP

## ASX RELEASE

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The Manager  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

### **World Leader in Low Cost but High Quality Pearl Production**

Atlas has built a legacy as a long standing pioneer of pearl farming. Established in 1992, Atlas was the first Australian pearling company listed on the ASX. For nearly 20 years, Atlas has specialized in the production of South Sea pearls from *Pinctada maxima*, the queen of pearl oysters.

Atlas is recognized as a world leading producer of high quality South Sea pearls. Our South East Asian farm base has a competitive advantage where the cost of production is a third of Australia's.

Through technical excellence, Atlas has built a genetically superior selection program that produces high quality 10-20 mm pearls. The group is harnessing this unique cost/quality niche advantage. During the pearling industry's worst crisis, Atlas remained liquid and strategically acquired pearling assets at below replacement value.

The pearling crisis of 2009 changed the landscape forever and the global down-turn in the luxury sector continues to affect the pearling industry. In 2009 the price that South Sea pearl farmers received for pearls halved. In 2011 the price has recovered slightly but for many producers the sale price is less than the cost of production, causing wide spread closure of farms in Australia and Indonesia, consequently resulting in a contraction of supply.

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## **Growth and Expansion**

At a time when the rest of the pearling industry is downsizing, Atlas reacted positively to the crisis and in 2010 at these low price points, maintained a profitable margin on production, and aggressively expanded farming operations. In 2010, Atlas more than doubled its water leases through acquisition. Atlas has introduced cutting edge genetic science and management that combined with scales of economy has ensured these acquisitions will be profitable.

In concert with existing farms these new leases provide a foundation to double the pearl harvest with a good geographical spread for risk mitigation. The company has maintained sound margins despite depressed market prices. However, this is not what sets us apart as a global leader.

## **Perl'eco**

Atlas's value adding capacity has grown significantly and today's opening of the groups seventh retail outlet, Perl'eco, will provide further opportunity for customers to witness one of the most extensive strand and pearl jewellery collections.

Perl'eco is much more than a centre of excellence for pearl sales. Atlas currently produces 100 tonnes of by-products annually that have been either sold at a nominal price or discarded. These by-products are set to double in volume as the pearl production increases. Exciting breakthroughs have been made incorporating elements of the pearl, the shell and the inner soft tissue for use in the perfume and cosmetic sector at high values.

## **Value Added Pearl Exports**

Atlas is finalising an agreement to export 2.5 tonnes of pearl powder for use in a confidential luxury skin care brand. This is the company's second major shipment of pearl powder this year and this new market will assist in further improving the viability of pearling.

## **Product Innovation**

Central to the economic prosperity of Atlas South Sea Pearl Ltd is product innovation and a unique, compelling market proposition. Atlas will maximise this opportunity through strategic branding and novel pearl extractive technologies.

## **New Corporate Headquarters**

The new state of the art corporate headquarters will highlight the company's products, vision and values to key stakeholders. Since the GFC, Atlas has reduced gearing, increased profitability, improved liquidity and grown the net asset value. The growth in oyster inventory will lead to a sustained increase in asset value over the next three years. This will continue to lift the group's balance sheet and the net asset price per share over the next eighteen months.

As substantial volumes of inventory (that take four years to harvest) work their way through the balance sheet, higher revenues and improved profits will start to flow and be utilised to grow a diverse and profitable company.

### **Penetrating the Top Levels of the Luxury Supply Chain**

Extensive contacts in the twin engine rooms of the luxury sector, New York and Paris is creating an entry into a new luxury supply chain. Over the last 30 years, I have created a wide range of ethical and environmental initiatives in the luxury sector. As the founder of Mount Romace, I was the Australian pioneer of exporting cosmetics to France (1990 -1996) and exporting perfume into the luxury prestige market (1997-2005).

I believe Atlas is on a fast trajectory, and its strategies reflect consumer trends of the 21st century. As a trend setter, luxury brands will deal direct with source; paying a premium for produce direct from origin that provides strategic input to their marketing strategies.

### **The Mission: Global Leader in Eco Pearling**

*Pinctada maxima* is “the canary of the ocean” and accordingly Atlas takes the Environmental Custodianship of our Oceans (ECO) as both a social responsibility and critically important long term commercial strategy. The luxury sector is in crisis and the trend is evolving away from ostentatious consumption. In a crowded sector a successful company in luxury goods must provide a value proposition for consumers and demonstrate that their products have real, tangible and positive impact on our fragile world. In embracing this, we can create a win-win for regional communities, our oceans and our shareholders.

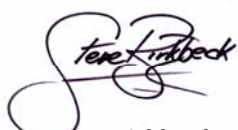
Ethical business is not a social tax it is a prudent commercial investment.

### **Current Financial Status**

When I became the Chairman in 2009, the company started on a new strategic program to reinvigorate the business. After two years of building foundations we are seeing the first results of this work with solid growth of revenue and margins. 2009-2011 have been very hard years. In spite of the pearling crisis, this year we are on target to double the 2009 revenue stream and post a small \$1.5-2.0m normalised EBITDA.

### **The Future**

As stated in an ASX announcement on the 29/9/11, Atlas is negotiating with a New York based entity to join forces and invest substantial resources together in a new marketing structure. Potential investment partners have already been identified for this exciting new venture. The intent is to use this vehicle to develop a global brand to distribute the Atlas products and technologies. We look forward to finalising this announcement.



**Steve Birkbeck**  
**CHAIRMAN**

## **About Atlas**

Atlas South Sea Pearl Limited (“Atlas”, ASX: ATP) is an Australian based pearling business established in 1992. Atlas has earned an enviable reputation as a world leading pearl producer of “nature’s most precious gift”, the South Sea pearl, specialising in highly sought after white and silver pearls. Atlas operates pearl farms spread across the Indonesian archipelago including Bali, Flores, Alor and Papua. Atlas is a fully integrated pearling business with its own high quality grading and loose pearl distribution business, a jewellery manufacturing capability and sales direct to customers through its Bali based retail outlets and new flagship store in Perth.