



ABN 32 009 220 053

ASX Release

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31 May 2011

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

AGM Briefing

This information is to be read in conjunction with the attached presentation slides.

Our mission statement is important to our future. We are already leaders in the context that we believe that we are the most efficient producer of the South Sea pearls on the size range of 9-13mm pearls. Our competitive advantages of low cost of production and high quality have ensured that we have remained viable and will continue to prosper in the future. Our beautiful pearls already adorn the bodies of many people around the world in jewellery and we continue to be successful in our own right as a jewellery manufacturer and retailer. The exciting part of our future is in unlocking other parts of the *Pinctada maxima* oyster to use in cosmetics and other decorative uses which will add significant value to our bottom line and differentiate us from other pearl producers

It is critical that we maintain a focus on our environment and on the communities and people that we work with to produce our pearls because without these elements being in complete unison with us, we will not be successful in the long term. Investment in programs to enhance the environment and to see the local communities prosper from our activities is core to our ECO mantra. We already have a proud record in these areas but will continue to pro-actively engage in further projects into the future. This is not a tax, but rather an investment in the long term future of the company and of the planet

What have we achieved in 2010?

2010 has seen the beginning of a financial turnaround from what was one of our worst years in 2009. The years prior to 2009 had seen the company improve its revenue and make respectable profits and until 2008, we had a strong dividend payment record. Towards the end of 2008 and through 2009, we experienced the most severe economic downturn in recent history which had a significant impact on the luxury sector. Atlas experienced a significant drop in revenue and profitability and was required to seek additional capital to remain in business.

CRP03 AGM Presentation May3111.doc

2010 saw a turnaround in the company's fortunes. This recovery has not been spectacular and the economic conditions in which we operate remain challenging in 2011. There are some encouraging signs of recovery for the business and with a solid expansion plan being executed, we believe that we have a bright future

We have been able to ensure that we remain profitable despite margins still being under pressure. As a luxury commodity, we are subject to the effects of supply and demand. Atlas's significant competitive advantage is its low cost of production. Graph 2 in the presentation represents the unit cost and sales price for all pearls that are sold in prior years and includes the sales for the first 4 months of 2011. It demonstrates the effect that the GFC has had on margins. We are seeing an improvement in the average unit price that we are achieving for our pearls in 2011 with the average price up until April 2011 at A\$40/pearl. Costs are in line with budget but there signs of some inflationary pressures, especially in relation to fuel and labour costs. We will remain competitive in terms of cost compared to a lot of our competitors.

Although historically we have had a sound business and Atlas has experienced organic growth of approximately 20% annually, it was important for the company to set itself some ambitious growth targets and in 2010, we put in place a program that would achieve this for us. Our core objective was to increase pearl production capacity by 80-100% within 5 years. We completed the acquisition of new sites in Alor and Flores which allows us enough ocean and land space to achieve this target. Our hatchery production has been increased and has achieved the output that was necessary in the 2010/11 season to commence this expansion program. We have started the process of acquiring additional assets and developing infrastructure to allow us to farm the higher numbers of oysters that are needed to achieve the growth targets.

In 2010, Atlas started to market its pearls directly after having been in a long term marketing arrangement with an external distributor. We recruited an experienced sales manager and developed a strong grading team. During 2010, we sold more than 300,000 pearls to 40 customers from eleven countries. The majority of our loose pearl sale business was done with large wholesale buyers from Japan which has historically been the home of pearling. Establishing ourselves as a credible seller of South Sea pearls was critical to our future growth and independence.

The Atlas brand has become one of the most recognised brands in Bali. We recently opened our sixth retail outlet in Jimbaran after the successfully opening of the Kuta square store in December last year. With relatively low operating costs and strong tourist demand, the retail jewellery part of the business has become profitable. The development and sale of our own jewellery is important in the vertical integration of our business.

The number of oysters that are successfully seeded is a core driver to our business. 2010 saw a record number of oysters seed (465,000). 80% of these were virgin oysters. Our seeding target for 2011 is 530,000 oysters. It is important to maintain a focus on quality as we grow our business and this includes the seeding process.

Atlas has been investigating the opportunities that may exist for the value-adding of the by-product raw materials that are produced in the pearl production process. Atlas has identified compounds within the Mother of Pearl (MOP) and oyster meat that will be suitable as active ingredients for cosmetics and perfumes. We have sold crushed MOP to a company in France that is selling the processed material into the cosmetic and pharmaceutical sectors. We have allocated more resources to identifying better markets for by-product material.

Last October, Atlas announced the expansion of our pearl production business. What does this mean? How will we get there? What are the risks and barriers to achieve this goal?

The increase in pearl production enables us to improve our distribution and have a greater consistency of supply to more specific markets. As we put more focus on by-product value-adding, this has a significant effect on profitability as the size of production increases. We can be more selective with the grade of MOP that we use and ensure that we supply only premium product.

Through product innovation and better utilisation of our by-product, we will create diversity within the business and spread our income streams to different sectors of the luxury industry.

We will select specific programs that are directed towards environmental and social improvement. We have identified projects in Bali and we are looking to engage with other organisations in Papua and Nusa Tenggara Timor (NTT). Atlas will continue to build on its already strong reputation in the area of corporate social responsibility.

The production milestones that we have to reach in order to achieve the target pearl production volume are as follows:

- 6.8 million spat produced from the hatchery (2010/11)
- 2.4 million juvenile oysters surviving to the age of 6-12 months (end of 2011)
- 1.7 million virgin oysters that survive to 18 months (end 2012)
- In 2013, we aim to seed in excess of 1 million oysters (end 2013)

On achieving these milestones, this will result in

- 700,000 oysters being harvested in 2015
- 500,000 of the pearls harvested are expected to be of a sellable grade
- This will generate 175 tonnes of MOP and 21 tonnes of pearl meat

There is a requirement for additional infrastructure and assets to achieve the expansion objectives. We have already installed 150 new longlines and 30,000 panels in 2011. We have started to manufacture the additional cleaning boats and work boats (the hulls are manufactured in-house). We took on an additional 150 employees when we acquired the new project in NTT who were experienced pearl farm workers. We will continue to recruit and train Indonesian staff to meet our expanding farm projects.

To date we have spent approximately \$2.3 million on acquisition of assets and farm sites for the expansion. Since November last year, we have raised \$1.78M by way of placements to sophisticated investors. We will require a further \$6.5M of capital to see the completion of the expansion program. \$2.1M is available to Atlas as part of the existing bank debt facility with the Commonwealth Bank. The balance of the capital requirement will come from either additional debt, cash flow or equity.

What are the risks? We see this broken down into four parts –

- Market risk,
- Pearl quality risk,
- Socio-political risk and
- Management risk

The market risk is influenced by price of pearls which is a factor of supply and demand. This will be driven by the medium term increase in demand from China and India and the speed of recovery of the economies in the USA and Europe. A sound marketing department with good grading and distribution skills will ensure that revenues are maximised. The strength of the Australian Dollar influences Atlas's financial results but it is not easy to mitigate this risk.

Pearl quality is critical to the success of the expansion program. This is dictated by the breeding program, the seeding program, ongoing farm husbandry and the management of the surrounding farm environment. The risk of disease is mitigated through good farming practices and caring for the environment around the farm.

The socio-political risks relate to the fair treatment of local communities that live in close proximity to the farms, the adherence to local government laws and the fair payment of tax in Indonesia and Australia. Uncertainty in the tax regime in Indonesia remains as a significant risk to Atlas.

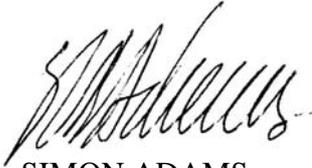
It is critical for us to retain good expatriate and Indonesian managers. It is these employees who are driving the implementation of the expansion program on the ground

What are the benefits of expansion? By increasing the size of the business, the company will gain scale and become more attractive for investment. Improved cash flow will result in the company's ability to pay dividends. By having a higher volume of production, we will be able to maximise product mix to specific customer needs and be able to provide better consistency of supply to specific customer demands. Economies of scale will maintain low unit cost of production and result in higher profitability.

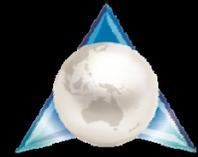
So what are our objectives for 2011? We expect to seed 530,000 oysters this year. We will continue with the pedigree identification program that we have been undertaking with James Cook University for the last six years. Hatchery production in the 2010/11 season has been on target and will seek to ensure that we meet the juvenile production targets that are required by the end of 2011. We will maintain a focus on the implementation of the expansion plan and keep management motivated to achieve their production targets. Atlas has secured a new office premises in Claremont, a high end retail centre in Perth, where we will be opening our new corporate head-office later this year. This will include our first retail store in

Australia. The expansion of retail in Bali has continued with the opening of our sixth store at Jimbaran in May. We have made our first sale of processed MOP to a customer in France. We are well progressed in the development of our own cosmetics and perfume range which will be marketed through our own outlets and through license arrangements.

I would like to acknowledge the support of the Board and the dedicated work and support provided by our management and staff in Indonesia and Australia. We look forward to a bright future and the efforts of the past have ensured that the company has remained viable.

A handwritten signature in black ink, appearing to read 'S. Adams', written in a cursive style.

SIMON ADAMS
Managing Director



ATLAS

SOUTH SEA PEARL



**2011
ANNUAL GENERAL MEETING**



A Presentation by Simon Adams | Managing Director

OUR MISSION...

“Global leaders in Eco Pearling.”

“Unlocking the treasure of the South Seas for use in Jewellery, Cosmetics and beyond...”

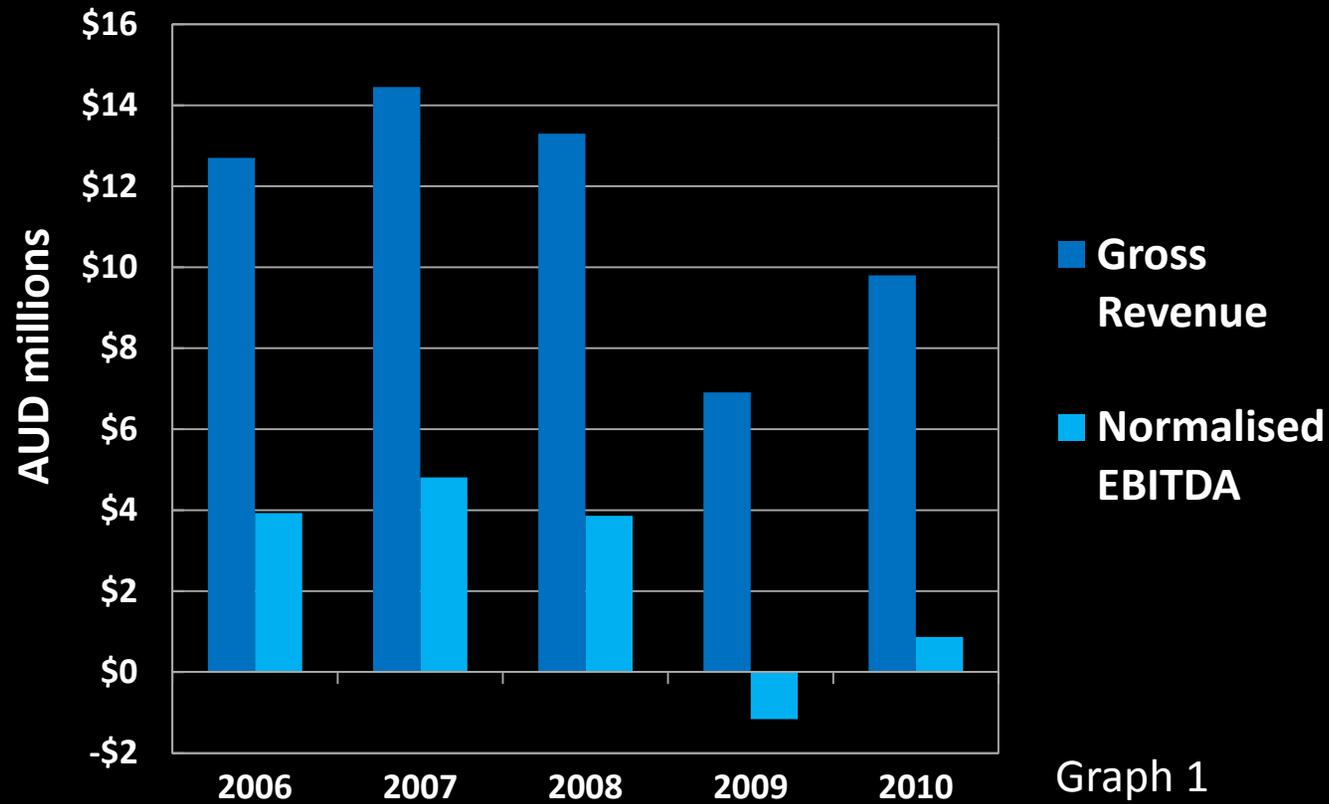


ENVIRONMENTAL CUSTODIANSHIP OF OUR OCEANS (**ECO**)

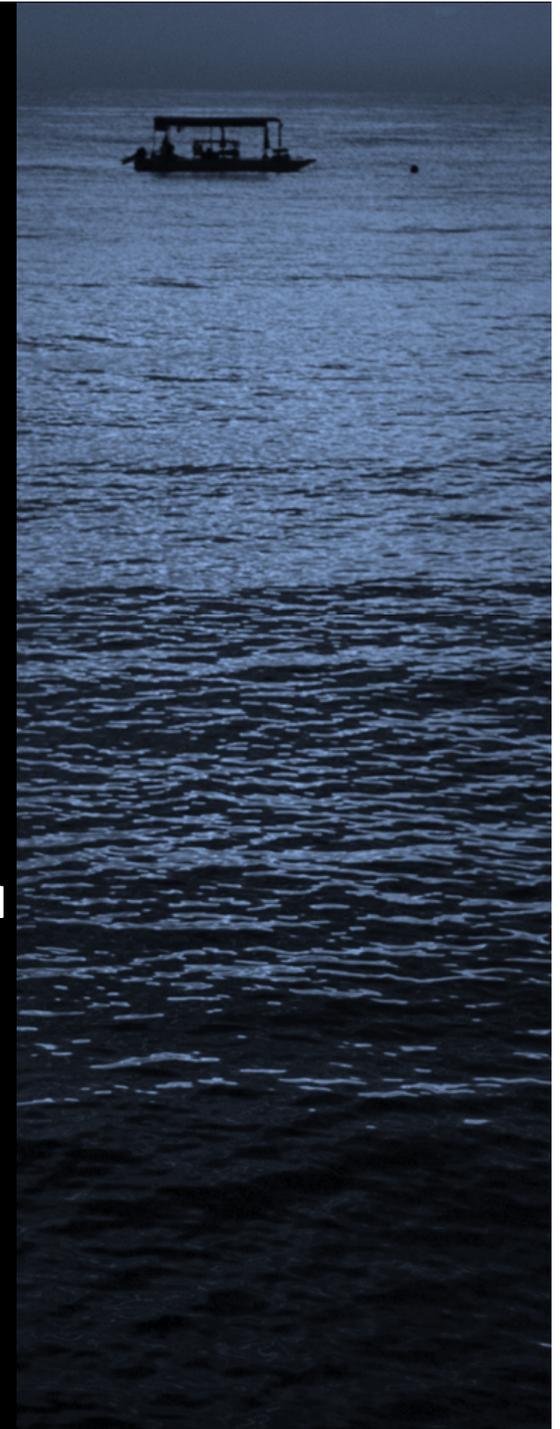


2010 ACHIEVEMENTS

1. Financial Turnaround

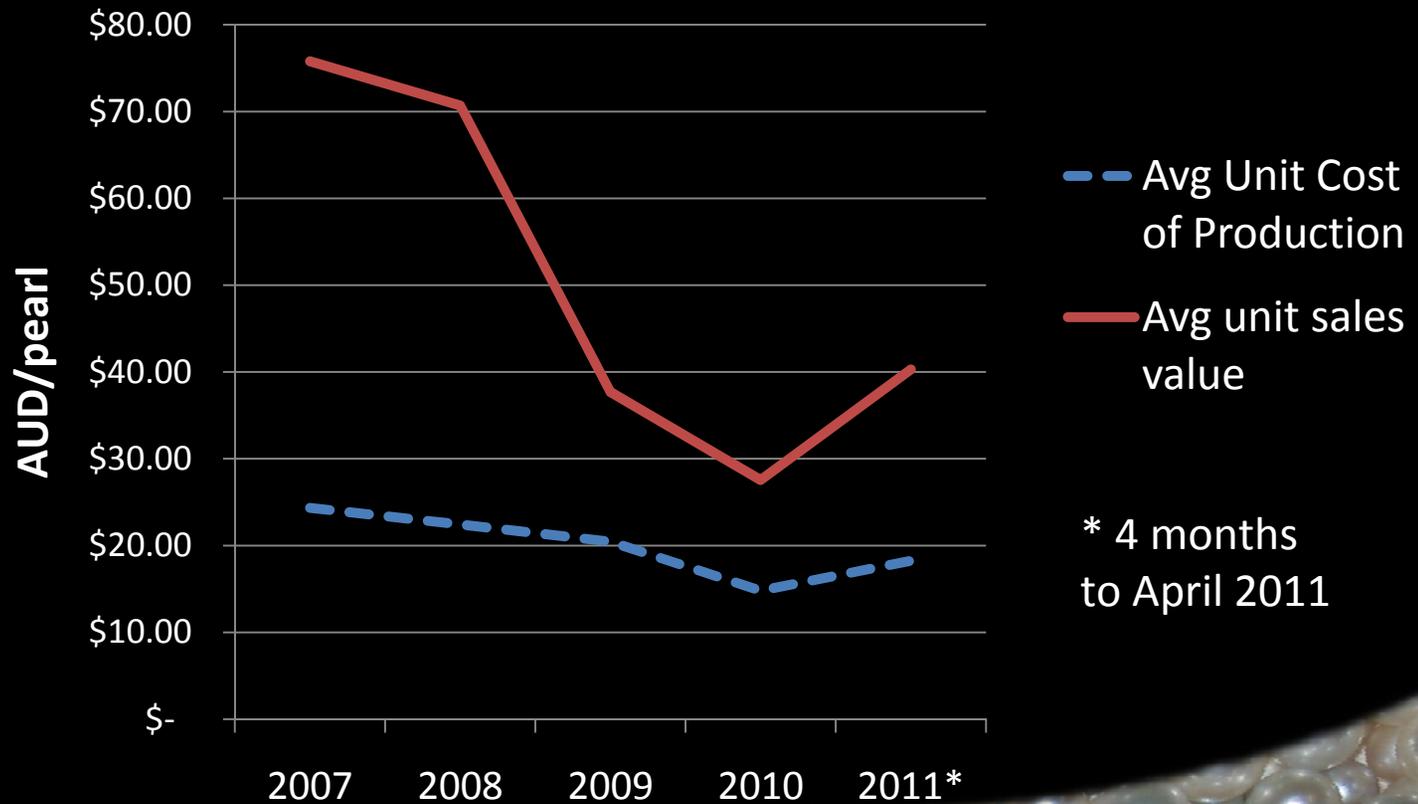


Graph 1

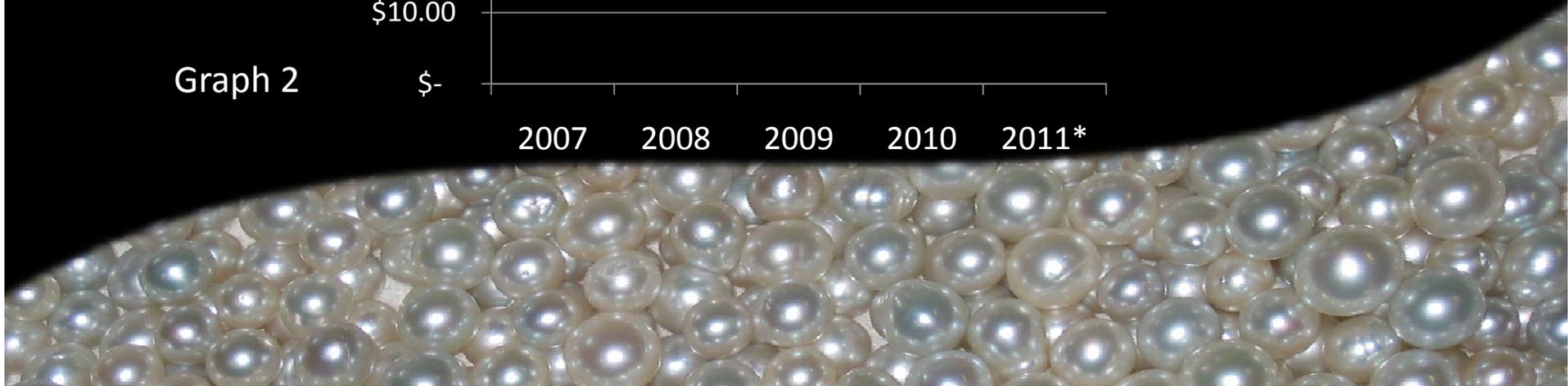


2010 ACHIEVEMENTS

2. Profitability maintained



Graph 2



2010 ACHIEVEMENTS

3. Expansion Program Implemented

Expansion program to increase pearl production capacity by 80-100% within 5 years has commenced.

New farm sites acquired in Flores/Alor

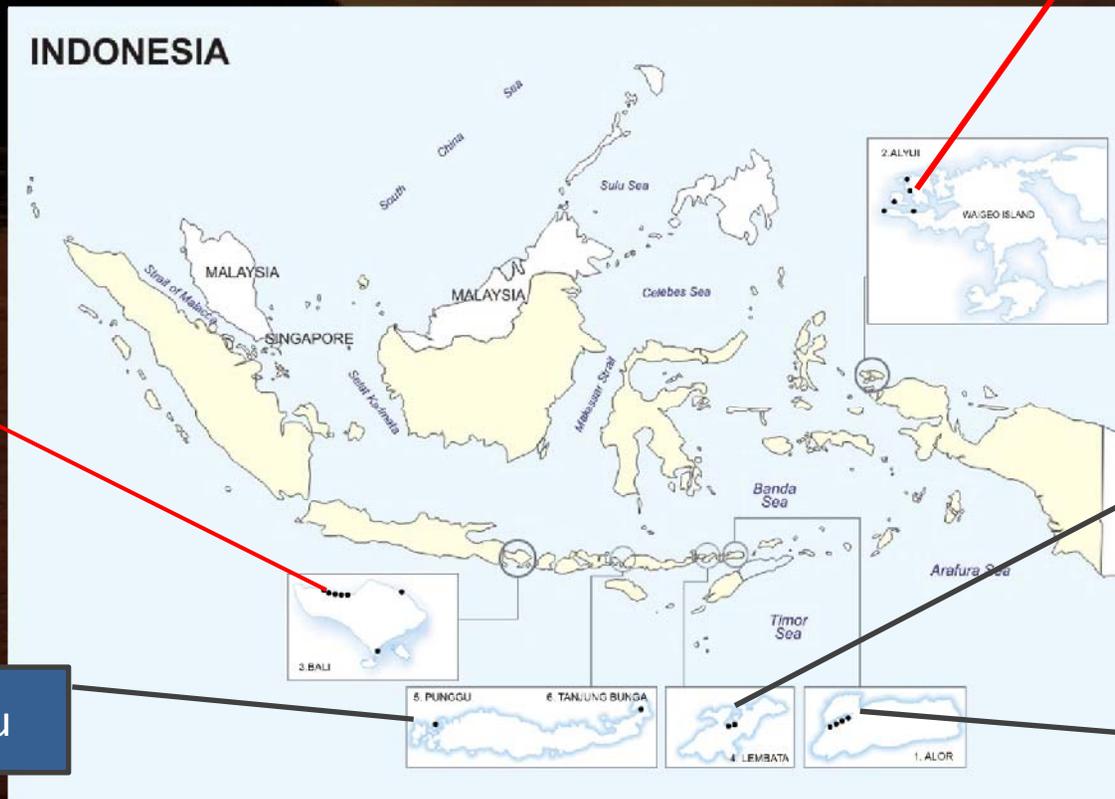
Hatchery production has been increased

Farm infrastructure is being expanded



New Farm Sites Acquired 2010

Alyui Bay,
Papua



Bali

Pulau Punggu

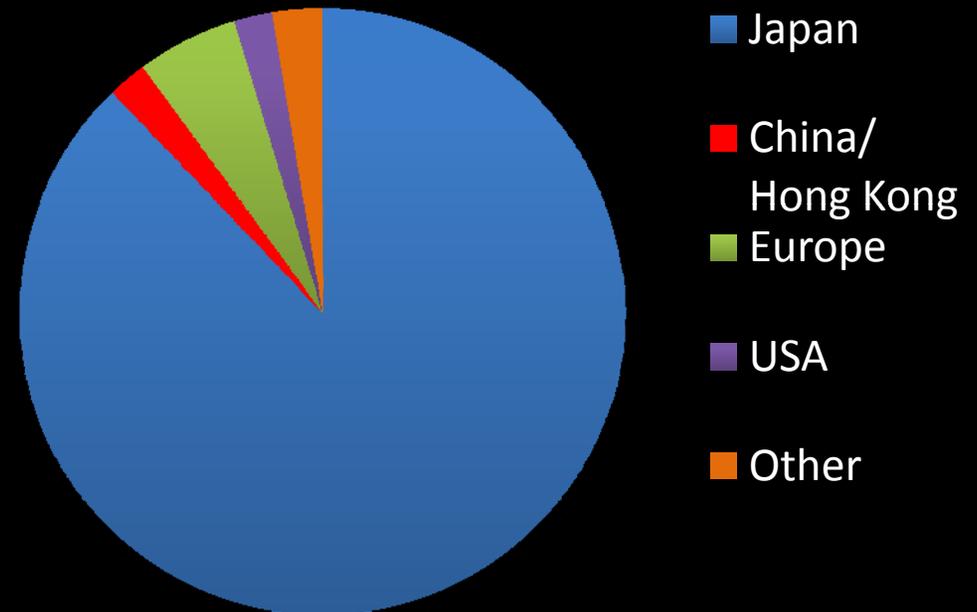
Lembata

Alor

2010 ACHIEVEMENTS

4. Sales and marketing of loose pearls was successfully initiated with customers secured from Japan, Hong Kong/China, USA and Europe.

2010 Pearl Sales by Region





2010 ACHIEVEMENTS

5. Retail sales approximately
\$1M with a fifth outlet
opened at Kuta Square in
December 2010.

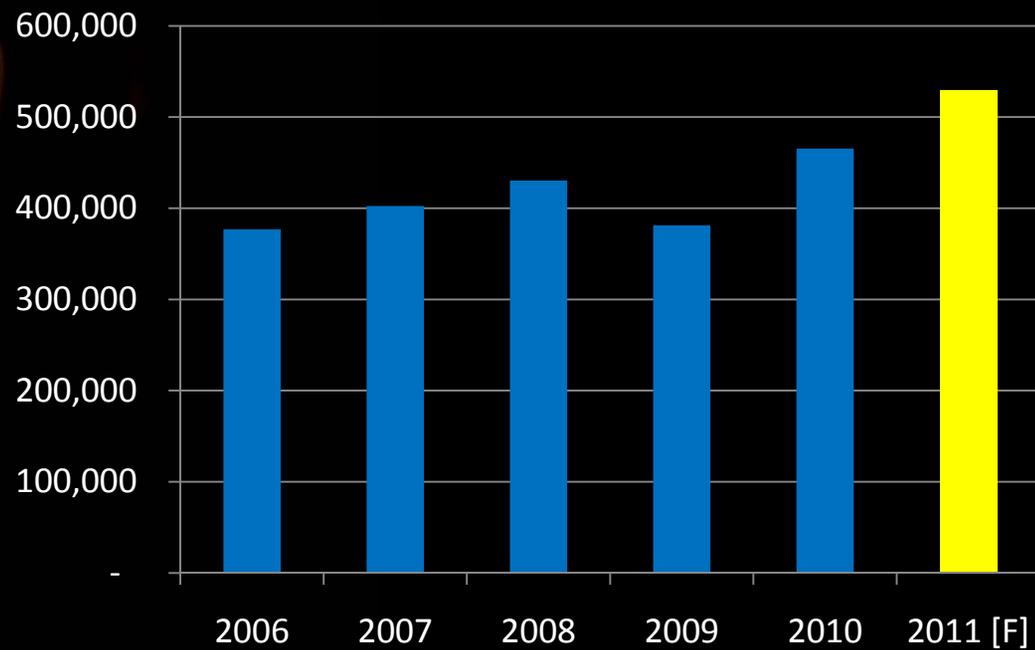


2010 ACHIEVEMENTS

6. Record Number of Oysters Seeded



Total Oysters Seeded



Graph 3

2010 ACHIEVEMENTS

7. Significant Value-Adding

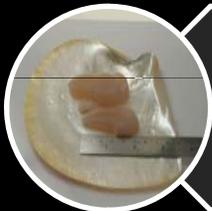
Significant value-adding potential has been realised from MOP and pearl meat/viscera through:



Successful extraction of active compounds from MOP and viscera that are suitable for cosmetics



Processing of MOP to sell into pharmaceutical sector



Improved marketing of by-product and identification of new markets



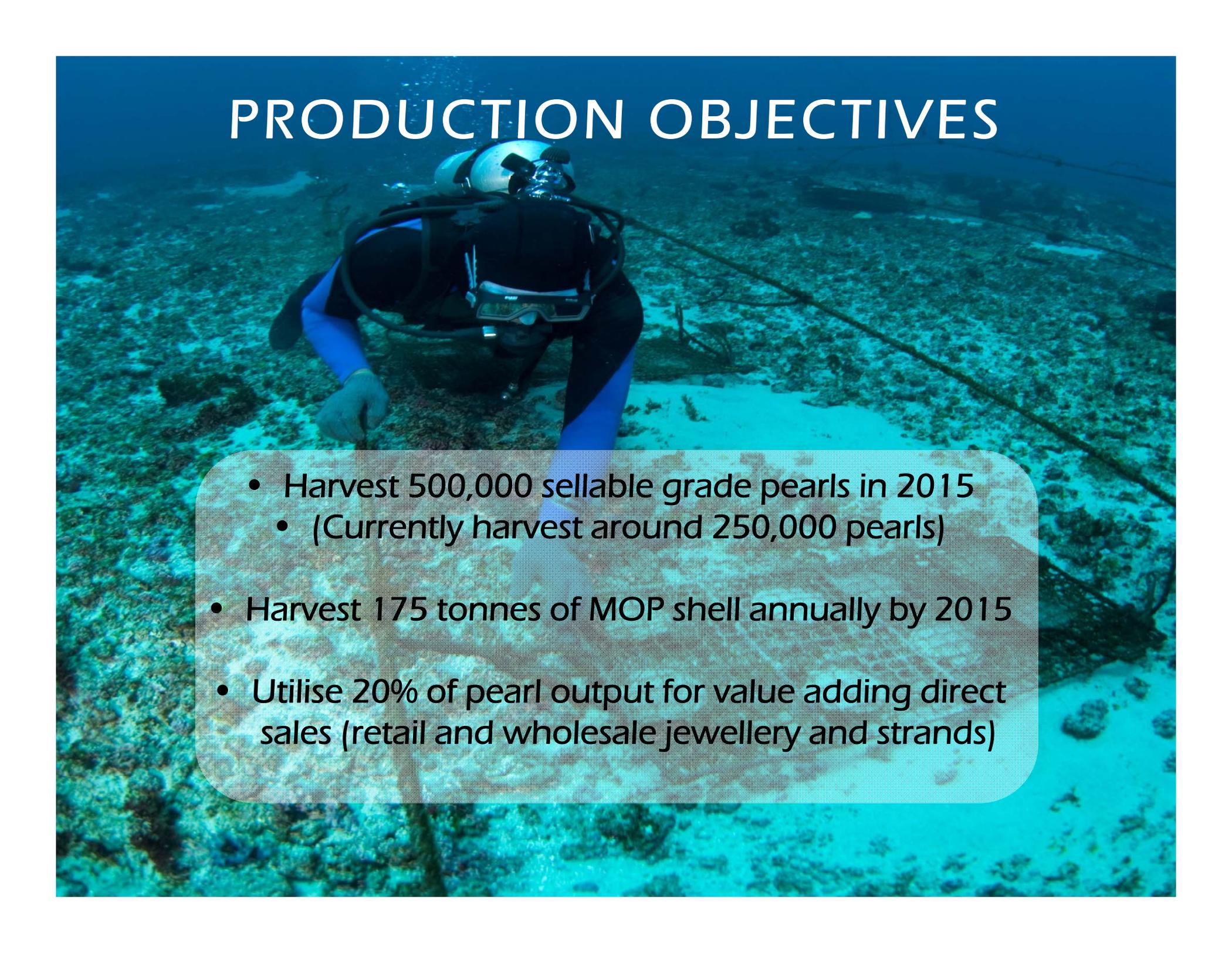
INCREASE IN PEARL PRODUCTION CAPACITY

What does this mean?

How will we get there?

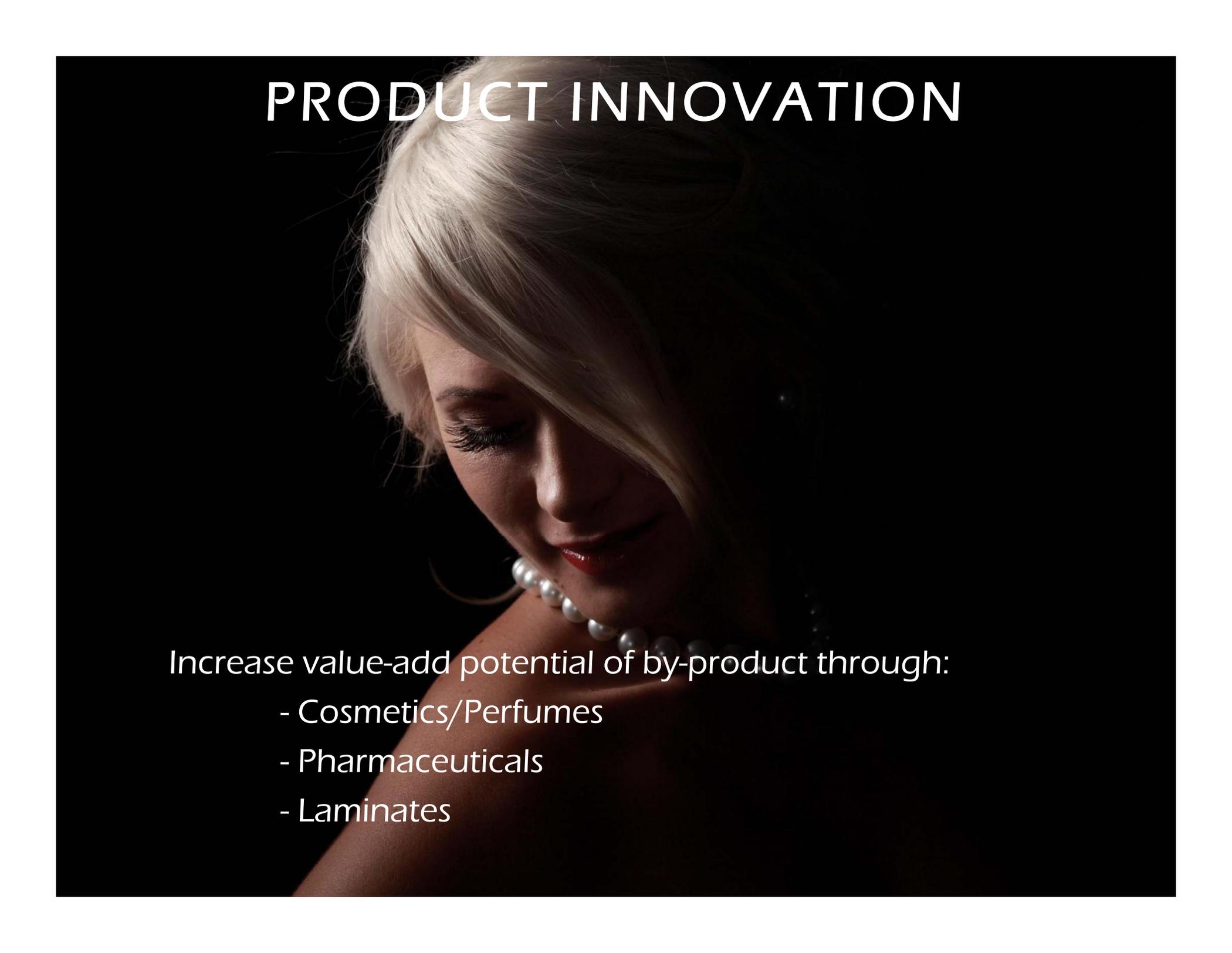
What are the risks/barriers
to achieving this goal?

PRODUCTION OBJECTIVES



- Harvest 500,000 sellable grade pearls in 2015
 - (Currently harvest around 250,000 pearls)
- Harvest 175 tonnes of MOP shell annually by 2015
- Utilise 20% of pearl output for value adding direct sales (retail and wholesale jewellery and strands)

PRODUCT INNOVATION



Increase value-add potential of by-product through:

- Cosmetics/Perfumes
- Pharmaceuticals
- Laminates

CORPORATE SOCIAL RESPONSIBILITY



- Improve the standard of living of communities that work with Atlas
- Protect the ocean and land environments in the locations that we operate

HOW TO ACHIEVE OBJECTIVES

Production Milestones

2010/11 – 6.8 million spat produced in the hatchery

2011 – 2.4 million juvenile oysters 6-12 months survive

2012 – 1.7 million virgin oysters 12-18 months survive

2013 – 1.08 million oysters seeded (first operation)

2015 – 700,000 oysters harvested

2015 – 500,000 sellable grade pearls from harvest

2015 – 200,000 low grade pearls from harvest

2015 – 175 tonnes of MOP and 21 tonnes of pearl meat harvested

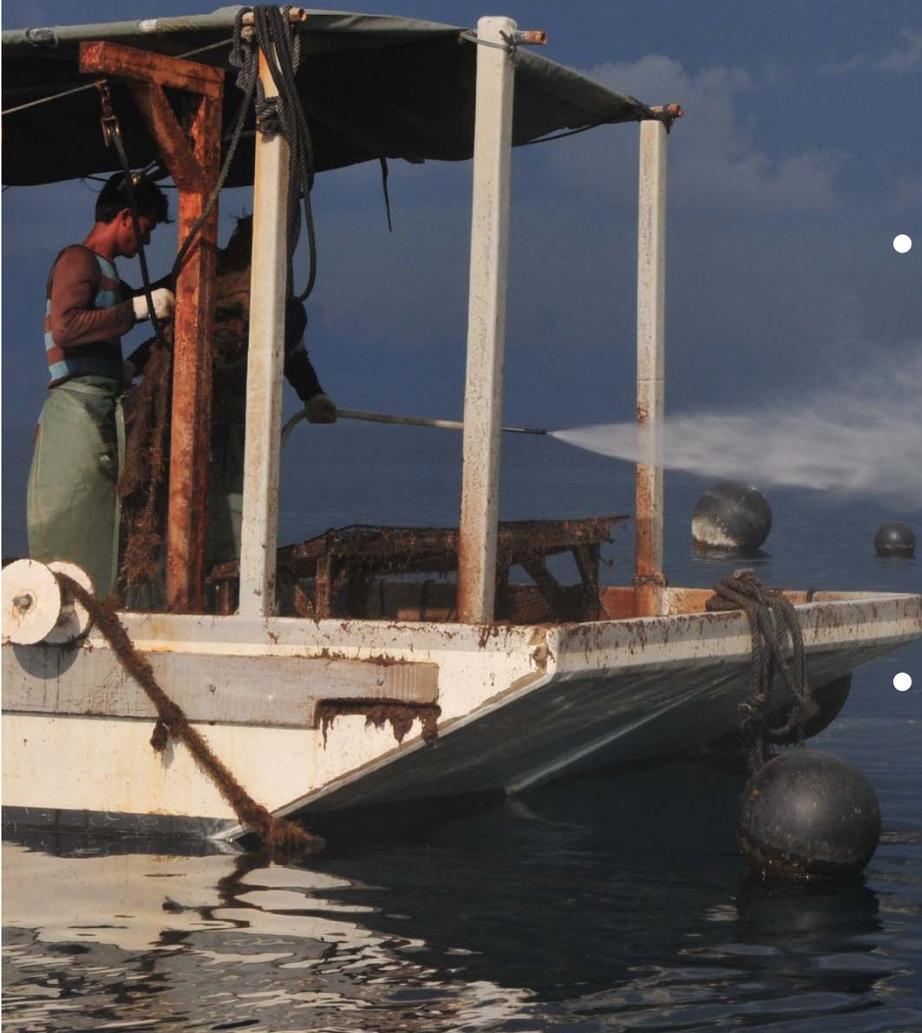


INFRASTRUCTURE REQUIREMENTS

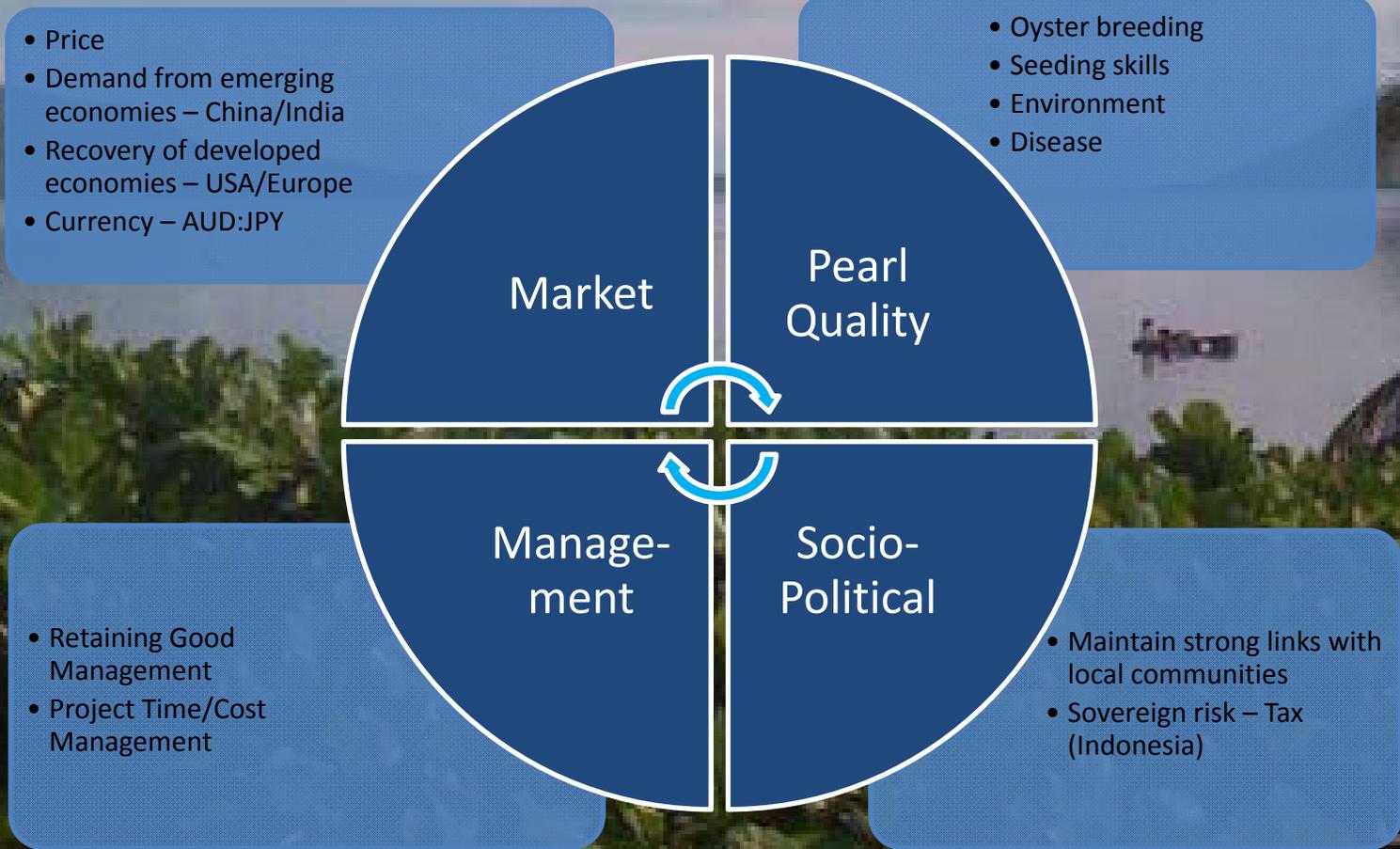
- 1 additional transportation vessel
- An extra 1,000 longlines (200km of rope) plus 200,000 panels
- 17 additional cleaning boats
- 22 more work/transport boats
- 300 new employees

CAPITAL REQUIREMENTS

- Funding requirements for Expansion
 - \$8-9 million over 4 years
- Capital Raised to Date:
 - \$1 million placement in November 2010
 - \$0.78 million placement in April 2011
- Further funds Required:
 - ~\$6.5 million
 - (Bank debt available - \$2.1M)



WHAT ARE THE RISKS



BENEFITS OF EXPANSION

BUSINESS SCALE

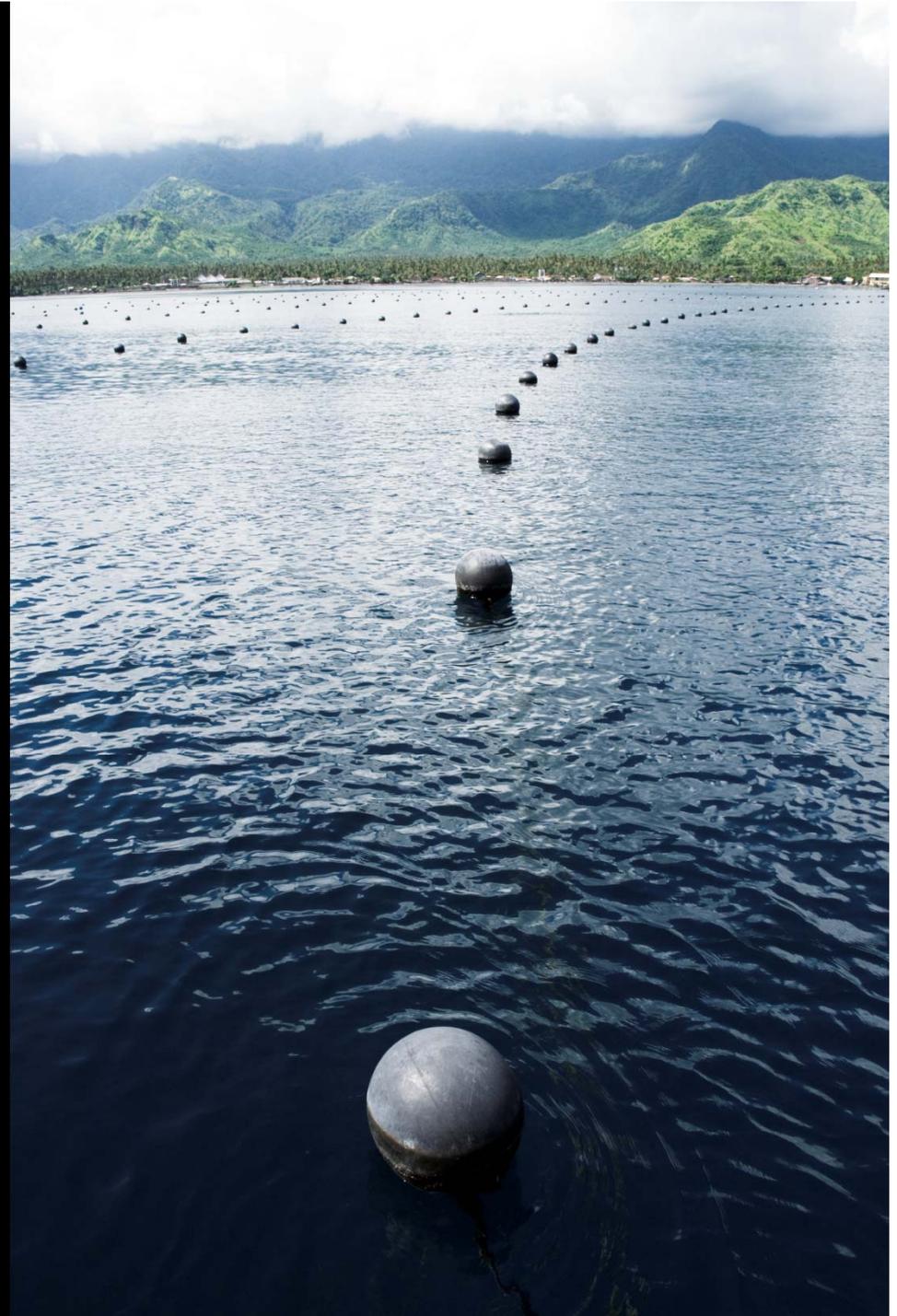
- Higher market capitalisation
- More attractive investment
- Dividend yield

VALUE-ADD

- Able to maximise product mix for appropriate market segment
- Consistency of supply of premium product to high value customers eg: luxury brands Europe

ECONOMIES OF SCALE

- Maintain lower unit cost
- Increased profitability



OBJECTIVES FOR 2011

- Increase number of oysters to be seeded – 530,000 (2010 – 465,000)
- Continue with the pedigree identification programs in conjunction with JCU
- Ensure that operational target in relation to juvenile oyster survival is met
- Maintain infrastructure development scheduled and ensure that management resources are kept motivated to achieve the production targets



OBJECTIVES FOR 2011

- Set up new Corporate headquarters in Perth with first retail outlet in Australia.
- Expand retail operations – additional store opened in Bali (Jimbaran opened in May-11)
- Commence sale of processed MOP material
- Finalise cosmetic development and commence commercialisation phase by the end of 2011



THANK YOU FOR YOUR ATTENTION

QUESTIONS?



ATLAS

SOUTH SEA PEARL

