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**Pearl Industry Outlook and Profit Guidance**

Atlas South Sea Pearl has recorded a very successful year in terms of its pearl sales with an increase of 25% in overall loose pearl sales from 2010 to 2011. Until the end of Q3, sales budgets were being met and the company expected to achieve its revenue target. Up to October of this year, Atlas achieved a steady increase in pearl prices with strengthening demand. However, in Q4 the flow on effects of the deepening Eurozone crisis began to materially affect the demand for wholesale pearls and this, combined with some pearl producers releasing high volumes of pearl inventory, has placed considerable negative pressure on the pearl market price forcing Atlas to discount in order to maintain turnover.

Fortunately, Atlas remains in a strong position compared with many other pearl farmers as a consequence of low production cost and good quality. 2011 has seen the demise of at least one pearl producer in Australia and a number of producers have amalgamated or ceased operations in Australia and Indonesia over the last three years. The downturn in demand has impacted Q4 sales and the profit projection made in October 2011 for a normalised EBITDA of \$1.5-2.0M is unlikely to be achieved. Actual revenue of \$12.1M for the current year will fall short of the budgeted income of \$13.8M.

The longer term market effects on prices are uncertain and will be directly influenced by events on the global economy. While this is a difficult time to raise capital, Atlas is preparing itself for challenging times in the next 12 months. In line with previous expectations announced in May, the Company will seek to raise further capital in early 2012 to capitalise on the successful expansion program undertaken in 2010/11.

**Steve Birkbeck**  
**CHAIRMAN**

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## **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.