



ATLAS SOUTH SEA PEARL LIMITED
(A.B.N. 32 009 220 053)
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
30 JUNE 2011

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2011

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ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2011

Your Directors present their report on the consolidated entity, consisting of Atlas South Sea Pearl Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2011.

The Directors of the Company during or since the end of the half year are:

Name	Period of Directorship
Stephen Paul Birkbeck <i>Chairman</i>	Director since 15 April 2005 Appointed Chairman 21 December 2009
Joseph James Uel Taylor, B.Sc. (Biology), Ph.D. <i>Non-Executive Director</i>	Director since 13 September 2000
Simon Charles Bunbury Adams, B.Bus, M.Acc, A.C.I.S <i>Managing Director</i>	Appointed Managing Director on 1 September 2010
Geoff Newman, B.Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D <i>Independent Non-Executive Director</i>	Director since 15 October 2010

ACTIVITIES AND REVIEW OF OPERATIONS

The activities of the economic entity are:

1. the management of a pearl farming business in Indonesia, and
2. the operation of a pearl jewellery manufacturing and distribution business.

There has been no significant change in the pearl farming and jewellery distribution activities of the economic entity since the last year-end report.

1. Financial Result

a. Summary of financial results

As part of the company's expansion strategy, additional expenditure has been dedicated to upgrading the newly acquired pearl farming sites in Indonesia and expanding the oyster holding capacity of the business. Despite this necessary increase in operating costs, the company has posted a half year profit with the confident expectation of carrying this through to the end of the year.

	Half Year		Change	%
	2011	2010		
	\$	\$		
Total revenue from continuing operations	6,243,350	5,048,498	Up	24%
Profit from continuing operations after tax	1,668,257	3,309,267	Down	50%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)*	844,926	849,959	Down	1%

* EBITDA excludes foreign exchange and Agricultural Asset revaluation movements

b. Explanation of financial results

Pearl unit sale value January to June 30 2011 has risen strongly (up 35%) against results achieved for the same period in 2010. This improved sales result has helped offset an increased unit cost that has resulted primarily to additional funds being spent on expansion.

DIRECTORS REPORT
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The operating result was influenced by the following factors:

i. Revenue –

Income from pearl sales for the six months to 30 June 2011 was \$5,281,062 (2010 - \$4,506,437). The volume of pearls sold in the first six months of 2011 compared to the same period in 2010 has decreased by 12% but unit value has increased by 35%. This increase in value comes from improved quality and better market conditions.

Income from retail sales for the six months to 30 June 2011 was \$566,189 (2010 - \$395,991). The increase is due in part to a growth in retail outlets from 4 to 6.

There is a further \$371,815 of other income which is generated from by-product sales and service supply activities.

ii. Costs –

Cost of sales – The unit cost of pearl production has increased by 25% for pearls sold first half of 2011 compared to the same period in 2010. The gross profit margin on loose pearl sales in 2011 has decreased by 4% compared the same period in 2010. Gross profit margin on retail sales has decreased 5% due to an increase in jewellery input costs, especially gold.

Operating costs – There has been a 30% increase in overall operating costs from 2010 to 2011. This is partly as a result of expansion of the business which has resulted in increased employee costs. The increase in operating costs in 2011 is in proportion with the increase in overall income from the previous year.

Biological and Agriculture assets – In the six months to 30 June 2010, there was a net gain after tax of \$1,656,621 on the mark to market revaluation of the company's oyster and pearl stocks. The increase in the mark to market valuation of oyster inventory in the first six months of 2011 is \$1,546,100.

c. **Net Tangible Assets**

The Company's net tangible assets per share were \$0.15 as at 30 June 2011 which is the same as at 30 June 2010. Current assets in the form of cash at bank and oysters have increased by \$3.08M. Bank debt has increased \$420K to fund capital purchases for the expansion program.

d. **Net Cash flow**

Operating cash outflows for the first six months of 2011 were \$170,429 (2010 – outflow \$1,410,852). Approximately \$1.09M of the cash outflow in 2010 is related to the payment of tax assessed as payable by the Indonesian Tax Authorities (ITA) for 2007 which represents a double payment of tax and this is now the subject of an appeal to the ITA in Indonesia and a Mutual Agreement Process between the ITA and the Australian Taxation Office.

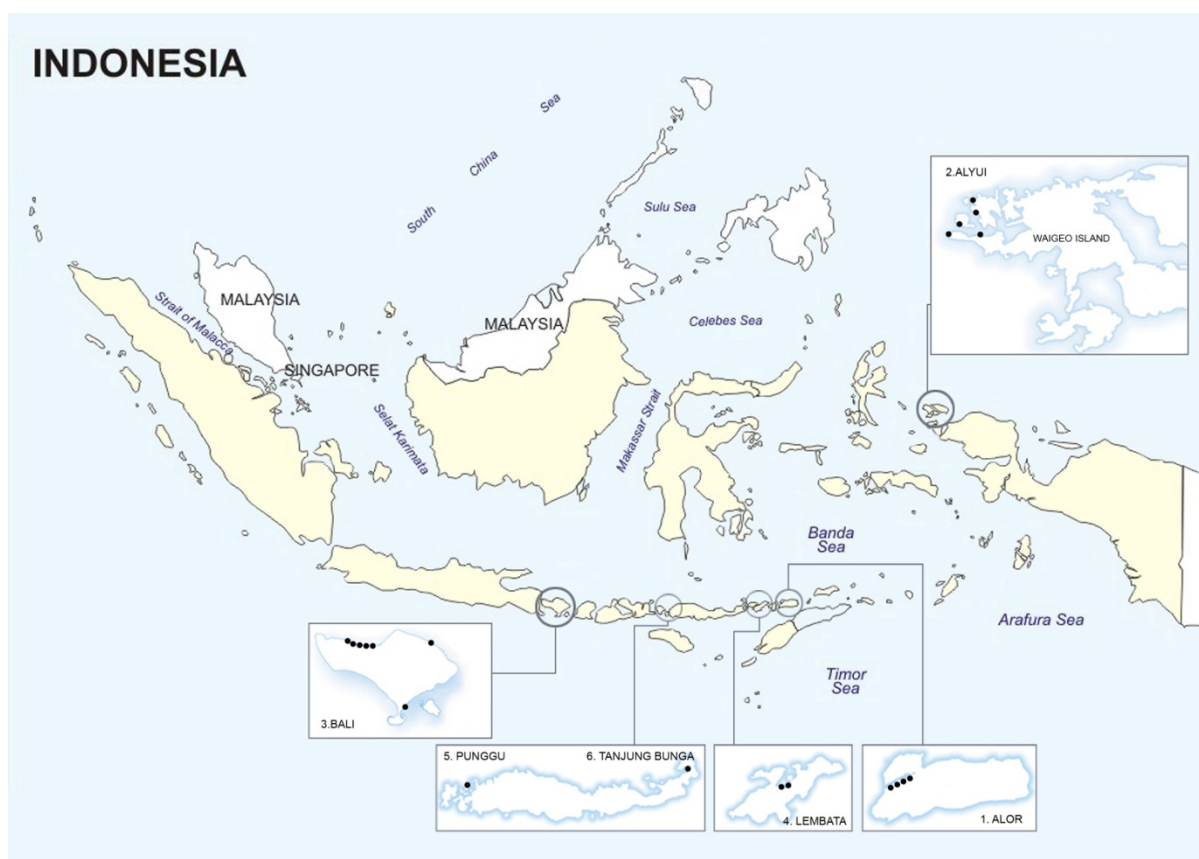
2. **Pearling Operations**

a. **Oyster Production**

The juvenile oyster production at the company's hatcheries during the 2010/11 spawning season was sufficient to meet the company's production growth targets. This result was achieved from the existing N. Bali hatchery (Gerokgak) and the company's refurbished Alor hatchery acquired as part of the acquisition of new sites. Juvenile oysters from the Alor hatchery are transferred to growout sites in Lembata. The 2011/12 breeding season has commenced and initial results are promising.

Seeding of virgin (yet to be operated) oysters has been carried out at Penyabangan, N. Bali and Alor. Severe weather in February 2010 resulted in some loss of oysters and slightly higher than normal post operation nuclei retention results. Overall, there has been an improvement in nuclei retention and lower mortality post operation which is encouraging for future pearl quality. Most of the oysters that are operated in Bali are rested after seeding before being shipped to the pearl farm at Alyui Bay in Papua Province. The new farm site at Pulau Punggu in West Flores has received its first batch of Bali seeded oysters and these are showing good growth and survival. The Alor seeded oysters remain in this area with minimal transportation required.

DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2011



b. Pearl Production

Atlas continues to focus its pearl production efforts on best farming and seeding practices and production of best quality pearls. In difficult economic times, Atlas's high quality production has ensured that a premium price is paid for its pearls and that turnover of inventory is sufficient to maintain positive operating cash flow.

Atlas acquired additional farming sites on the Alor/Flores region in 2010 to expand its pearl production. The progress that the company has made in developing robust, high quality oysters has been clearly demonstrated by superior performance when directly compared to oysters secured under the acquisition. As our breeding systems and broodstock lines are introduced on the new farms we confidently expect to see dramatic improvements. Already, preliminary test harvests are showing pearls of superior size, colour and consequent value compared with the historic results of these farms.

The company's production success is built around the three pillars of research, management and community. Maintaining the genetic breeding program and family identification continues to yield strong results in terms of the quantity and quality of juveniles that are produced. There is a program of ongoing in-house research programs as well as a continuing involvement with James Cook University in Australia. Strict management supervision of seeding practices enhances the potential for consistency and high quality of the end product. With a team of experienced in-house seeding technicians, oysters can be operated as and when they are in their optimal state. Atlas's dedicated team of experienced managers ensures that every farming process is performed at the highest level of proficiency. Atlas has improved its percentage of second operated oysters (reseeded after the first pearl is harvested) which will have an impact on average pearl size in future years.

The pearl production assets are geographically spread which mitigates production risk. The two hatchery facilities provide some backup in the event of failure at one location and the company has been able to successfully transfer larvae from one site to another to ensure that growth of spat is maximised when a large successful spawning takes place at one of the hatcheries. The existence of multiple farm sites for oyster growth requires more personnel but ensures that crowding of oysters does not take place. The company is in a strong position to meet its growth objective of doubling production by 2015 from 2010 levels.

DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2011

c. Wholesale Pearl Sales

Atlas continues to be held in high regard by its customers. A consistency of colour and quality has ensured strong demand from pearl buyers based in Japan, China, India, Europe and North America. Clear grading standards are used to prepare the pearls for sale which ensures the best price possible. All pearls have been sold through private treaty negotiation, with customers either visiting the company's Perth office or inspecting the goods at during overseas visits by the company's sales team.

A number of new customers have been secured over the last 8 months. Stock selection and matching customers' needs with available stock has been improved as better market knowledge is gathered. The average sales price of loose pearls in the first six months of 2011 has increased by **35%** compared to the same time last year. This is due to the increased size and quality of pearls harvested this year.

d. Jewellery and by-product operations

The Company opened its sixth Bali retail outlet in the tourist area of Jimbaran Bay. Sales have increased in comparison with the previous year's first six month period by 67% in US\$ terms and by 21% on a same store comparison. Despite a stronger AUD and a more competitive retail market has reduced profit margins for these stores the Company expects further improvement in the second half of 2011 and a profitable Bali retail division.

Atlas is scheduled to open its first retail outlet in Australia in October 2011. This will be located in a co-tenancy with the Company's head office corporate facilities in Claremont.

The development of enhanced value adding opportunities through the processing of Mother of Pearl (MOP) by selling it as processed material into the pharmaceutical industry has seen an improvement in by-product revenue. Research is being undertaken by the company in Australia and Europe into the extraction of active ingredients for use in cosmetics which will add a further level of uplift to profit. Improved grading of unprocessed MOP and increased demand for this product has seen higher revenues which although small, are an important part of growing overall profitability, especially as volume of by-product material is produced.

3. Operating Environments

a. Environmental and Social

The third pillar upon which the Company's pearl production is based is the successful promotion of community relations and environmental protection. The Company strives to ensure that they work equitably with local communities, preserve and enhance biodiversity within the local environment and strive to mitigate risks associated with potential environmental changes such as climate and water quality. This has been part of the Company's work over a long time and has been a valuable investment.

The Company's active involvement in both social and environmental initiatives remains a key component of our philosophy. The scholarship programme for the children of local villages creates education opportunities and is highly appreciated by the families, villagers, and local government authorities. Support for the local communities continues through employment, the donation of mother of pearl shells for use in local handicrafts, our direct support of cottage industries in the repair and recycling of our farm materials, the supply of critical utility support and passenger transport otherwise not available from existing national services.

The Company continues to assist with environmental awareness campaigns in and around the immediate localities of its farms with recognition received from international NGO's and local authorities. The restoration of local mangrove habitats in the last six months and a commitment to plant trees in and around the Company's farm sites are practical examples of the company achieving these goals.

The Company believes that the socio-political situation in Indonesia remains stable. Close contact with and support of local villages continues and is seen as a strong part of security and long term support for the business. Record tourist numbers continue to travel to Bali.

DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2011

b. Personnel

Employee numbers have increased from last year as a result of structural changes and activity growth. As of 30 June 2011, Atlas South Sea Pearl and the Indonesian subsidiary PT Cendana Indopearls employed 602 permanent employees (June 2010: 418). Additional expatriate employees have been recruited to meet future production expansion.

SIGNIFICANT CHANGES

There have been no significant changes in the state of affairs of the economic entity during the period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Directors

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

SP BIRKBECK
Chairman
31 August 2011

31 August 2011

The Board Members
Atlas South Sea Pearl Limited
43 York Street
SUBIACO WA 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ATLAS SOUTH SEA PEARL LIMITED

As lead auditor of Atlas South Sea Pearl Limited for the half year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Atlas South Sea Pearl Limited and the entities it controlled during the period.

Glyn O'Brien
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Note	Half Year	
		2011	2010
		\$	(Restated) \$
Revenue from continuing operations	2	6,243,350	5,048,498
Cost of goods sold		(3,269,774)	(2,557,758)
Gross profit		2,973,576	2,490,740
Other income	2	3,410,740	3,518,157
Marketing expenses		(339,338)	(186,376)
Administration expenses		(2,035,068)	(1,792,103)
Finance costs		(110,120)	(86,893)
Research & development		(44,398)	(20,833)
Other expenses		(1,128,770)	(617,854)
Profit before income tax expense		2,726,622	3,304,838
Income tax (expense)/benefit		(1,058,365)	4,429
Profit for the half year		1,668,257	3,309,267
Other comprehensive income/(expenses)			
Exchange differences on translation of foreign operations		(34,776)	168,787
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(expenses) for the half year , net of tax		(34,776)	168,787
Total comprehensive income for the half year		1,633,481	3,478,054
Profit is attributable to: owners of the Company		1,668,257	3,309,267
Total comprehensive income /(expenses)for the half year is attributable to:			
Owners of the Company		1,633,481	3,478,054
Overall Operations:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	3	1.21	2.69
Diluted earnings per share (cents)	3	1.20	2.64

The above consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the half year financial report.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	30/06/11	31/12/10 (Restated)
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		1,397,996	998,335
Trade and other receivables		1,016,228	1,239,095
Derivative financial instruments		53,055	240,053
Inventories		6,562,456	6,375,746
Biological assets	4	2,976,864	5,305,465
Total Current Assets		12,006,599	14,158,694
NON-CURRENT ASSETS			
Inventories		251,606	83,415
Biological assets	4	13,486,117	8,476,047
Property, plant and equipment	5	2,763,316	2,217,156
Deferred tax assets		944,779	1,313,784
Total Non-Current Assets		17,445,818	12,090,402
Total Assets		29,452,417	26,249,096
CURRENT LIABILITIES			
Trade and other payables		1,560,555	1,743,239
Borrowings		4,016,486	3,596,120
Current tax liabilities		49,677	42,446
Short-term provisions		38,385	49,057
Total Current Liabilities		5,665,103	5,430,862
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,361,462	1,800,493
Total Non-Current Liabilities		2,361,462	1,800,493
Total Liabilities		8,026,565	7,231,355
Net Assets		21,425,852	19,017,741
Equity			
Contributed equity	9	23,287,552	22,512,922
Reserves		(6,603,128)	(6,568,352)
Retained profits		4,741,428	3,073,171
Total Equity		21,425,852	19,017,741

The above consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the half year financial report.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2011

Consolidated	Attributable to owners of Atlas South Sea Pearl Limited				
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$
Balance at 1 January 2010	22,073,494	66,020	(6,256,508)	795,398	16,678,404
Adjustment on correction of error	(769,250)	510,739	-	(109,393)	(367,904)
Profit for the half- year	-	-	-	3,309,267	3,309,267
Exchanges differences on translation of foreign operations	-	-	168,787	-	168,787
Total comprehensive income for the half-year	-	-	168,787	3,309,267	3,478,054
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	70,000	-	-	-	70,000
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	4,269	-	-	4,269
	70,000	4,269	-	-	74,269
Balance at 30 June 2010	21,374,244	581,028	(6,087,721)	3,995,272	19,862,823
Balance at 1 January 2011	22,512,922	581,028	(7,149,380)	3,073,171	19,017,741
Profit /(loss) for the half- year	-	-	-	1,668,257	1,668,257
Exchanges differences on translation of foreign operations	-	-	(34,776)	-	(34,776)
Total comprehensive income for the half-year	-	-	(34,776)	1,668,257	1,633,481
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	774,630	-	-	-	774,630
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	774,630	-	-	-	774,630
Balance at 30 June 2011	23,287,552	581,028	(7,184,156)	4,741,428	21,425,852

The above consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the half year financial report.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Note	Half Year	
		2011 \$	2010 \$
Cash flows from operating activities			
Proceeds from pearl jewellery and oyster sales		5,899,521	4,591,818
Proceeds from other operating activities		388,601	84,137
Interest paid		(100,940)	(67,842)
Interest received		5,520	30,455
Payments to suppliers and employees		(6,217,443)	(4,779,915)
Income taxes (paid)/received		(145,688)	(1,269,505)
Net cash provided by/ (used in) operating activities		(170,429)	(1,410,852)
Cash flows from investing activities			
Payments for property, plant and equipment		(791,852)	(50,214)
Proceeds on disposal of fixed assets		-	-
Net cash provided by/(used in) investing activities		(791,852)	(50,214)
Cash flows from financing activities			
Proceeds from borrowings		8,767,563	8,023,409
Repayment of borrowings		(8,179,261)	(8,023,409)
Proceeds from issue of shares		774,630	-
Net cash provided by/(used in) financing activities		1,362,932	-
Net increase/(decrease) in cash and cash equivalents		400,651	(1,461,066)
Cash and cash equivalents at the beginning of the half-year		998,335	2,508,711
Effects of exchange rate changes on cash and cash equivalents		(990)	17,878
Cash and cash equivalents at the end of the half-year		1,397,996	1,065,523

The above consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the half year financial report.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 30 June 2011 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2010 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Apart from the changes in accounting policy noted below the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

1.1 Changes in accounting policy

The Group had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2011. The affected policies and standards are:

AASB 2009-12 Amendment to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-14 Amendment to Australian Interpretation- prepayments of a Minimum Funding Requirement (AASB Interpretation 14)

AASB 2010-3 Amendment to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2010-4 Amendment to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2010-6 Amendment to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

AASB Interpretation 19- Extinguishing Liabilities with Equity Instruments

AASB 124 – Related Party Disclosures (2009)

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period. There is not expected to be any material impact on the financial report of the consolidated entity of these Standards and Interpretations. In the case of AASB 9 Financial Instruments as the adoption is only mandatory for the 31 December 2013 year end the entity has not yet made an assessment of the impact of these amendments.

The Group has not elected to early adopt any new standards or amendments.

1.2 Segment Information

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of Directors and management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale. Management also considers the business from a geographical perspective and has identified 4 reportable segments. Discrete financial information about each of these operating businesses is reported to the board of Directors and management team on at least a monthly basis.

The wholesale business is a producer and supplier of pearls within the wholesale market. The retail business is the manufacture and sale of pearl jewellery and related products within the retail market.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

1.3 Critical accounting estimates and judgements

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group

Key assumptions that have been used to determine the fair market value of the oysters in 2010 and 2011 are as follows:

	Jun-2011	Dec-2010	Jun-2010
Average selling price for pearls*	¥7,900/momme	¥6,600/momme	¥6,600/momme
¥ exchange rate	¥86.33:AUD1.00	¥82.83:AUD1.00	¥76:AUD1.00
Average pearl size	0.72 momme	0.67 momme	0.69 momme
Proportion of market grade pearls	60%	70%	70%
Discount rate applied to cash flow	20%	20%	20%
Mortality & rejection rates	Historical comparison	Historical comparison	Historical comparison
Average unseeded oyster value	\$2.07	\$1.89	\$0.94

*Average pearl prices are based on historical averages adjusted for potential market volatility

Biological assets are valued using estimated future yen rates. Biological assets recognised as current assets on the balance sheet represent the estimated value of the pearls to be harvested within the next 12 months. The yen rate used is based on the estimated forward yen rates for the next 18 months from the Commonwealth Bank of Australia.

2 PROFIT FOR THE YEAR

	Half Year	
	2011	2010
	\$	\$
Revenue from continuing operations		
Sales revenue		
Sale of goods	5,862,104	4,902,428
Other revenue		
Interest income	7,546	24,033
Other revenues	373,700	122,037
Total revenue from continuing operations	6,243,350	5,048,498
Other income		
Change in net market value of agricultural and biological assets		
Change in fair value less point of sale costs of oysters	2,870,062	1,535,618
Gain arising on initial recognition of harvested pearls	-	831,312
	2,870,062	2,366,930
Foreign exchange gains	333,769	1,118,284
Gain on financial instruments	206,909	32,943
Total other income	3,410,740	3,518,157

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

2	PROFIT FOR THE YEAR (Cont.)	Half Year	
		2011	2010
		\$	\$
	Profit for the half year includes the following items that are unusual because of their nature, size or incidence:		
	Expenses		
	Loss arising on initial recognition of harvested pearls	639,469	-
	Foreign exchange losses	429,143	604,145
	Loss on financial instruments	253,418	330,866
3	EARNINGS PER SHARE		
		2011	2010
		cents	cents
	Basic earnings per share	1.21	2.69
	Diluted earnings per share	1.20	2.64
	Earnings reconciliation		
	Net profit used for basic earnings	1,668,257	3,309,267
	After tax effect of dilutive securities	-	-
	Diluted earnings	1,668,257	3,309,267
		No.	No.
	Weighted average number of ordinary share outstanding during the year used for calculation of basic earnings per share	137,431,578	123,062,931
	Adjustments for calculation of diluted earnings per share:		
	Employee Share Plan shares	1,900,000	2,425,000
	Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earnings per share	139,331,578	125,487,931

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 30 June as potential ordinary shares which may have a dilutive effect on the profit of the Group.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

4 BIOLOGICAL ASSETS

	At 30 June 2011	At 31 December 2010
	\$	\$
Current - Oysters	2,976,864	5,305,465
Non-Current - Oysters	13,486,117	8,476,047
Total biological assets	<u>16,462,981</u>	<u>13,781,512</u>

The details of the Biological Assets that are held by the economic entity as at year end are as follows:

Nature of Biological Assets:- **Oysters (*Pinctada maxima*)**

	No.	No.
Held within the economic entities operations:		
Juvenile oysters which are not nucleated	1,444,342	1,261,081
Nucleated oysters	665,808	743,537
	<u>2,110,150</u>	<u>2,004,618</u>

Sensitivity Analysis –

The mark to market estimation of the value of the biological assets (Oysters) is determined using the net present value of expected future net cash flows attributed to this inventory less the estimated point of sale costs. The primary assumptions used for this estimate are shown in Note 1.3. The following table summarises the potential impact of changes of 10% in the key non-production related variables:

	Selling Price (¥/momme)					
	-10% ¥7,110		No Change ¥7,900		+10% ¥8,690	
	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Discount rate						
22%	-1,948,328	-1,948,328	-241,509	-241,509	1,465,311	1,465,311
20%	-1,735,202	-1,735,202	-	-	1,735,202	1,735,202
18%	-1,514,564	-1,514,564	250,033	250,033	2,014,630	2,014,630

	Selling Price (¥/momme)					
	-10% ¥7,110		No Change ¥7,900		+10% ¥8,690	
	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
FX rate						
¥94.96	-3,209,265	-3,209,265	-1,637,848	-1,637,848	-66,431	-66,431
¥86.33	-1,735,202	-1,735,202	-	-	1,735,202	1,735,202
¥77.70	81,982	81,982	2,019,094	2,019,094	3,956,205	3,956,205

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

5 PROPERTY, PLANT AND EQUIPMENT

	Non – Pearling Assets		Pearling Project		Total
	Plant & equipment	Leasehold improvements	Leasehold land & buildings	Plant & equipment, vessels, vehicles	
At 31 December 2010	\$	\$	\$	\$	\$
-at cost	154,620	-	1,463,012	4,643,388	6,261,020
-accumulated depreciation	(105,950)	-	(689,192)	(3,248,722)	(4,043,864)
	48,670	-	773,820	1,394,666	2,217,156
Half-year ended 30 June 2011					
Carrying amount at beginning of year	48,670	-	773,820	1,394,666	2,217,156
Additions	14,038	69,262	356,994	350,851	791,145
Disposals/ writedowns	-	-	-	(1,113)	(1,113)
Depreciation	(8,969)	-	(17,885)	(187,578)	(214,432)
Foreign exchange movement	-	-	(13,515)	(15,925)	(29,440)
	53,739	69,262	1,099,414	1,540,901	2,763,316
At 30 June 2011					
-at cost	168,658	69,262	1,840,726	4,945,712	7,024,358
-accumulated depreciation	(114,919)	-	(741,312)	(3,404,811)	(4,261,042)
	53,739	69,262	1,099,414	1,540,901	2,763,316

6 DIVIDENDS

	Half Year	
	2011	2010
	\$	\$
Distributions paid – Ordinary Shares		
Fully franked ordinary dividends declared	-	-

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

7 SEGMENT INFORMATION

The segment information provided to the board of Directors for the reportable segments for the half-year ended 30 June 2011 is as follows:

	Wholesale Loose Pearl		Retail Jewellery		Total
	Australia	Indonesia	Australia	Indonesia	
Half-year 2011	\$	\$	\$	\$	\$
Total segment revenue	5,281,062	4,854,604	16,345	563,816	10,715,827
Inter-segment revenue	-	(4,854,604)	(14,375)	-	(4,868,979)
Revenue from external customers	5,281,062	-	1,970	563,816	5,846,848
Adjusted net operating profit/(loss) before income tax	485,047	493,843	1,150	245,103	1,225,143
Half-year 2010					
Total segment revenue	4,506,437	2,955,631	937	395,054	7,858,058
Inter-segment revenue	-	(2,955,631)	-	-	(2,955,631)
Revenue from external customers	4,506,437	-	937	395,054	4,902,428
Adjusted net operating profit/(loss) before income tax	(1,719,768)	554,660	605	(97,590)	(1,262,093)
Total segment assets					
30 June 2011	3,857,130	14,394,159	71,268	2,348,151	20,670,708
31 December 2010	1,968,798	14,444,622	-	2,185,812	18,599,233

The board of Directors and management team assesses the performance of the operating segments based on a measure of net operating profit. This measurement basis excludes the effects of foreign exchange losses and gains, both realised and unrealised, impairment expenses on financial assets and the effects of fair value adjustments on biological and agricultural assets.

A reconciliation of adjusted net operating profit to profit before income tax is provided as follows:

	Consolidated	
	2011	2010
	\$	\$
Adjusted net operating profit/(loss) before income tax	1,225,143	(1,262,093)
Intersegment eliminations	(501,165)	2,091,893
Other	(6,794)	(6,020)
Foreign exchange losses	(682,561)	(935,011)
Foreign exchange gains /(losses)	540,678	1,151,227
Interest revenue/(expense)	(87,574)	(47,860)
Other revenue/(expenses)	8,302	(54,228)
Change in fair value of biological and agricultural assets	2,230,593	2,366,930
Profit before income tax from continuing operations	2,726,622	3,304,838

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

7 SEGMENT INFORMATION (Cont.)

The amounts provided to the board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements except for excluding fair value adjustments in relation to biological and agricultural assets. These assets are allocated based on the operations of the segment and the physical location of the asset.

8 CONTINGENT ASSETS

The Company's subsidiary, PT Cendana Indopearls, has received a tax assessment in relation to its 2007 year from the Indonesian Tax Authorities (ITA). The ITA has assessed that there is tax payable of \$1.427M with penalties of a further \$0.565M. The Company has fully paid this assessment as at the reporting date.

The Company has lodged an objection with the ITA against this assessment on the basis that it has complied with transfer pricing protocols which have been historically authorised by the ITA and that this revised assessment is inconsistent with these prior rulings. Atlas South Sea Pearl Ltd has sought an amendment of its 2007 tax return through the filing of a Mutual Application Process (MAP) submission with the Australian Tax Office (ATO) to seek relief from paying tax in both jurisdictions under Double Taxation treaties between Australia and Indonesia.

As at the date of this report, there is uncertainty as to the outcome of the objection and this will not be able to be confirmed until the matter is dealt with by the Indonesian and Australian tax authorities. In the event that this 2007 tax assessment is overturned or there is relief provided by the ATO to Atlas South Sea Pearl Ltd in Australia, part or all of the tax expense above could be reversed in the current or future financial periods.

9 CONTRIBUTED EQUITY

Ordinary Shares

	Half year			
	2011		2010	
	\$		\$	
140,958,097 (2010 – 123,933,097) fully paid ordinary shares	23,287,552		21,374,244	
	2011		2010	
	No.	\$	No.	\$
Number of shares on issue at the beginning of the reporting period	134,458,097	22,512,922	123,058,097	21,304,244
Shares issued during the period	6,500,000	780,000	875,000	70,000
Share issue costs	-	(5,370)	-	-
Number of shares on issue at the end of the reporting period	140,958,097	23,287,522	123,933,097	21,374,244

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**9 CONTRIBUTED EQUITY
(Cont.)****Treasury Shares**

	Half year	
	2011 No.	2010 No.
Number of shares on issue at the beginning of the reporting period	1,900,000	2,425,000
Shares issued during the period	-	-
Number of shares on issue at the end of the reporting period	1,900,000	2,425,000

Treasury shares are shares in Atlas South Sea Pearl Limited that are held by the Atlas South Sea Pearl Limited Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee share plan.

10 CORRECTION OF ERROR**Correction of error in accounting for share based payments**

During the financial year it was discovered that the accounting for the share based payments had been misinterpreted. As a consequence, the transactions of shares issued under the employee share plan had been incorrectly accounted for.

The establishment of a loan receivable for the associated limited-recourse loans and an increase in issued capital was incorrect. These loans were subsequently impaired to the extent that the carrying value of the loan in relation to shares not taken up exceeded the market value of those shares. The amount relating to the difference between the market price of the shares and the issue price to employees was recognised as an issue of shares in equity at issue price and the fair value portion in reserves. A corresponding amount for the fair value was shown as part of employee costs in the period in which the shares vest. Any dividends paid in respect to shares not taken up by employees under the Employee Share Plan were offset against the loans receivable.

The correct accounting treatment should have been to account for the grants to employees as options under AASB 2 Share-Based Payments. The loans receivable did not meet the definition of an asset and should be derecognised. In addition the shares should be treated as treasury shares.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	31-Dec-2010	Increase/ (decrease)	31-Dec-2010 (restated)	31-Dec-2009	Increase/ (decrease)	31-Dec-2009 (restated)
	\$	\$	\$	\$	\$	\$
Balance sheet (extract)						
Trade and other receivables	1,412,793	(173,697)	1,239,096	1,613,920	(271,191)	1,342,729
Deferred tax assets	1,430,258	(116,475)	1,313,783	1,040,645	(96,712)	943,933
Net assets	19,307,913	(290,172)	19,017,741	16,678,404	(367,904)	16,310,500
Contributed equity	23,234,922	(722,000)	22,512,922	22,073,494	(769,250)	21,304,244
Reserves	(7,082,381)	514,029	(6,568,352)	(6,190,488)	510,739	(5,679,749)
Retained profits	3,155,372	(82,201)	3,073,171	795,398	(109,393)	686,005
Total equity	19,307,913	(290,172)	19,017,741	16,678,404	(367,904)	16,310,500

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

10 CORRECTION OF ERROR (Cont.)

	30 June 2010	Half Year Profit Increase/ (Decrease)	30 June 2010 (Restated)
Income statement (extract)	\$	\$	\$
Administration expenses	(1,794,081)	1,978	(1,792,103)
Other expenses	(642,104)	24,250	(617,854)
Profit before income tax expense	3,278,610	26,228	3,304,838
Income tax benefit	11,704	(7,275)	4,429
Profit for the half year	3,290,314	18,953	3,309,267
Profit is attributable to :owners of the company	3,290,314	18,953	3,309,267

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was an increase of 0.07 cents per share for basic earnings per share and dilutive earnings per share was 2.64 cents per share, previously having no dilutive earnings per share.

11 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The results of significant operation activities are made available to shareholders and other interested parties through announcements to the Australian Stock Exchange. There have been no significant post balance date events to disclose.

12 SUBSIDIARIES

There have been no changes to subsidiaries during the reporting period.

13 RELATED PARTY TRANSACTIONS

Since the previous financial year end, no Director of the Company has received or has become entitled to receive a benefit (other than the emoluments disclosed in the annual financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related company with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 7 to 19:

- (a) comply with Accounting Standard AASB134 "Interim Financial Reporting" and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date;

In the Directors opinion there are reasonable grounds to believe that Atlas South Sea Pearl Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



SP BIRKBECK
Chairman

Perth, Western Australia
31 August 2011

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ATLAS SOUTH SEA PEARL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atlas South Sea Pearl Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlas South Sea Pearl Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Atlas South Sea Pearl Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlas South Sea Pearl Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a printed 'BDO' logo.

Glyn O'Brien
Director

Perth, Western Australia
Dated this 31st day of August 2011

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITES

RESULTS FOR ANOUNCEMENT TO THE MARKET
AS PER APPENDIX 4D
AUSTRALIAN STOCK EXCHANGE LISTING RULES

FOR THE HALF YEAR ENDED 30 JUNE 2011

- 1 The reporting period and the previous corresponding period as detailed in this financial statement are 30 June 2011 and 30 June 2010 respectively

	2011	2010	% Change	Up/Down
2 Key Financial Data				
2.1 Revenue ^(a)	\$6,243,350	\$5,048,498	24%	Up
2.2 Profit from ordinary activities after tax attributable to members ^(b)	\$1,668,257	\$3,309,267	50%	Down
2.3 Net profit attributable to members ^(b)	\$1,668,257	\$3,309,267	50%	Down
2.4 Dividends ^(c)				

	2011	2010
Interim dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Final Dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Record Date	-	-

Explanation of 2.1 to 2.4

- Income from pearl sales for the six months to 30 June 2011 was \$5,281,062 (2010 - \$4,506,437). The volume of pearls sold in the first six months of 2011 compared to the same period in 2010 has decreased by 12% but unit value has increased by 35%. This increase in value comes from improved quality and better market conditions.
- Net profit has decreased due to a lower net fair value adjustment of biological assets recognised in the income statement in the first six months of 2011 of \$1,546,100, compared to the same period in 2010 (\$1,656,621).
- The unit cost of pearl production has increased by 25% for pearls sold first half of 2011 compared to the same period in 2010. The gross profit margin on loose pearl sales in 2011 has decreased by 4% compared the same period in 2010.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

RESULTS FOR ANOUNCEMENT TO THE MARKET
AS PER APPENDIX 4D
AUSTRALIAN STOCK EXCHANGE LISTING RULES

FOR THE HALF YEAR ENDED 30 JUNE 2011

d) No interim dividend for 2011 has been declared in the period.

3 Net Tangible Assets

	Consolidated	
	2011	2010
Net tangible assets	\$21,425,852	\$19,017,741
Ordinary Shares	140,958,097	123,933,097
Net tangible assets per ordinary share	\$0.15	\$0.15

4 Change in control of entities

There have been no changes to subsidiaries during the reporting period.