



ABN 32 009 220 053

6th February 2012

ASX Announcement

Dear Eligible Shareholder

Non-renounceable Rights Issue

As announced on 28 December 2011, last year was challenging for the pearl industry. Fortunately, Atlas South Sea Pearl Limited ACN 009 220 053 (**Company**) remains in a strong position compared with other pearl farmers as a consequence of the Company's low production costs and the quality of its products.

While this is a difficult time to raise capital, your board has decided that it is prudent to capitalise on the Company's successful expansion program undertaken in 2010/2011.

Accordingly, on 6 February 2012, the Company announced a non-renounceable pro rata rights issue (**Rights Issue**) to raise up to approximately \$4,201,709 (before costs). The 6 February announcement also includes an update on the Company's financial status.

On behalf of the Directors of the Company, I am pleased to invite you to participate in the Rights Issue.

The Right Issue provides you with the opportunity to subscribe for 1 new full paid ordinary share in the Company (**New Share**) for every 1.7 fully paid ordinary shares in the Company (**Shares**) held at 5.00 pm (Perth time) on 20 February 2012, at an issue price of \$0.05 per New Share – a discount of 40% to the closing price of Shares on ASX on the date prior to the announcement of the Rights Issue on 3 February 2012.

It is a condition of the Rights Issue proceeding that the Company raise a minimum of \$1,500,000. If that amount is not raised then the Rights Issue will not proceed and application money will be returned without interest.

The funds raised from the Rights Issue will be used for working capital purposes in the following areas.

1. Implement the full commercialisation of Atlas' quality selection programme across all sites
2. Improve infrastructure support in the production programme
3. Ensure all key managerial and technical roles are funded
4. Expand the company's marketing activities and capitalise on emerging markets
5. Commercialise new product lines and value adding initiatives
6. General working capital

Approximately \$2.5M of these funds are to be used to undertake activities 1-3 above. The remaining \$1.5M that is being sought will be used to fund the activities in 4 and 5 above. As stated above, the Rights Issue is conditional on a minimum amount of \$1.5M being raised. If the Rights Issue does not raise the maximum amount, then funds will be applied to the areas where the highest return on capital is likely to be achieved.

You may also apply for additional New Shares in excess of your above entitlement. Any additional New Shares may be allocated out of any shortfall that arises under the Rights Issue at the issue price of \$0.05 per New Share.

To participate in the Rights Issue, you must ensure that applications for New Shares are received in accordance with the Entitlement and Acceptance Form on or before **5.00 pm (Perth time) on 16 March 2012**. Otherwise, your entitlement to New Shares will lapse.

If you have any doubt as to whether you should participate in the Right Issue, you should consult your stockbroker, accountant, financial or other professional adviser.

An Offer Document will be dispatched to eligible shareholders on or around 24 February 2012. The Offer Document will contain important information concerning your potential participation in the Rights Issue, including:

- the key terms of the Rights Issue;
- instructions on 'how to participate' should you choose to do so; and
- a personalised Entitlement and Acceptance Form which details your entitlement to New Shares, to be completed in accordance with the instructions provided.

Further information in relation to the Rights Issue is set out in the Schedule.

On behalf of the directors of the Company, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully

Steve Birkbeck
Chairman

About Atlas

Atlas South Sea Pearl Limited ("Atlas" or the "Company", ASX: ATP) is an Australian based pearling business established in 1992. Atlas has earned an enviable reputation as a world leading pearl producer of "natures 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.

Further information

For further information on the Rights Issue, please see the Company's ASX announcements made on 6 February 2012 or contact:

Stephen Birkbeck
Chairman

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SCHEDULE

Summary of key terms of the Rights Issue and other information required to be given to you in accordance with the Listing Rules

Maximum Amount to be raised	\$4,201,709 (before costs associated with the Rights Issue and assuming the maximum number of Shares are issued under the Rights Issue)
Minimum Amount to be raised	\$1,500,000 (before costs associated with the Rights Issue and assuming the maximum number of Shares are issued under the Rights Issue). If this amount is not raised then the Rights Issue will not proceed and application money will be returned without interest
Entitlement	<p>1 New Share for every 1.7 Shares held at 5.00 pm (Perth time) on the Record Date.</p> <p>Only shareholders with a registered address in Australia and New Zealand will be eligible to participate unless the Company determines, in its absolute discretion, that it can make offers to exempt investors in other jurisdictions without undue cost or inconvenience.</p> <p>Each new ordinary share will be issued on the same terms as those ordinary shares already issued by the Company.</p> <p>Fractions will be rounded up to the nearest whole number. Where the Company considers that holdings have been split in order to take advantage of this rounding, the Company reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.</p>
Maximum Number of New Shares to be issued under the Rights Issue	84,034,175, subject to reconciliation and rounding
Minimum Number of New Shares to be issued under the Rights Issue	30,000,000, subject to reconciliation and rounding assuming minimum amount of \$1,500,000 raised
Record Date	5.00 pm (Perth time) on 20 February 2012
Non-renounceable	<p>The Rights Issue is non-renounceable. Accordingly, shareholders cannot sell or transfer any part of their Entitlement.</p> <p>Shareholders who do not take up their Entitlement in full will not receive any payment or value for that part of the Entitlement they do not take up. Shareholders who do not take up their Entitlement in full will continue to own the same number of Shares but have their proportionate interest in the Company diluted.</p>

Ineligible shareholders	<p>Shareholders with an address in the Register outside Australia and New Zealand are not eligible to participate in the Rights Issue, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board, in its sole discretion, regards as acceptable and not unduly onerous.</p> <p>Shareholders who are not eligible to receive entitlements will not receive any value in respect of entitlements they would have received had they been eligible.</p>
Shareholder approval	No Shareholder approval is required for the Rights Issue
Underwriting	<p>The Rights Issue will not be underwritten. The Directors reserve the right to obtain an underwriter at any stage in accordance with the Corporations Act and ASX Listing Rules.</p>
Shortfall	<p>Shortfall will arise under the Rights Issue where Eligible Shareholders do not take up their full Entitlements.</p> <p>The Directors reserve the right in accordance with the Corporations Act and ASX Listing Rule 7.2 (exemption 3) to allocate the Shortfall as set out below.</p> <p>Eligible Shareholders who apply for their full Entitlement may also apply for Additional Shares in excess of their Entitlement. Additional Shares will only be available where Shortfall arises under the Rights Issue. Additional Shares will be issued at the Issue Price of \$0.05 per Share.</p> <p>The Offer Booklet will contain further details on the operation of the Shortfall and any scaleback.</p> <p>If any Shortfall arising under the Rights Issue exceeds applications received for Additional Shares, the Directors reserve the right to place the remaining Shortfall with any other persons selected by them. Any remaining Shortfall will be placed no later than 3 months after the Closing Date and will be issued on the same terms as are offered to Eligible Shareholders under the Rights Issue.</p> <p>Related parties of the Company (including Directors) who are Eligible Shareholders will be eligible to apply for Additional Shares. Any issue of Additional Shares to a related party (including a Director) will be conditional on a resolution of Shareholders being passed to approve the issue for the purposes of Listing Rule 10.11.</p>
Shares currently on issue	142,858,097

Total Shares on issue on completion of the Rights Issue assuming maximum number of New Shares offered are issued	226,892,272
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Dividend policy	As decided by the Directors
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The Rights Issue is being made in accordance with section 708AA of the *Corporations Act 2001* without the need for a prospectus. Prospective investors should have regard to the Company's previous ASX announcements as the Company is required to comply with continuous disclosure obligations.

An Appendix 3B, Section 708AA notice and the Offer Booklet will be lodged separately with ASX and on the Company's website today.

Proposed timetable

The current indicative timetable for the Rights Issue is as follows:

Announcement of the Rights Issue	6 February 2012
Ex Date	14 February 2012
Record Date to determine Entitlements	5.00 pm (Perth time) on 20 February 2012
Offer Document and Entitlement and Acceptance Form despatched	24 February 2012
Opening date of the Rights Issue	
Closing Date of the Rights Issue	
Last date for lodgement of Applications	5.00 pm (Perth time) on 16 March 2012
New Shares quoted on a deferred settlement basis	19 March 2012
ASX notified of under-subscriptions	21 March 2012
Allotment date for allotment of New Shares under the Offer	22 March 2012
Issue of New Shares and despatch of transaction confirmation statements for New Shares	23 March 2012
Normal trading of New Shares expected to commence on ASX	26 March 2012

Subject to the Corporations Act and the Listing Rules, the Company reserves the right to vary the timetable without prior notice including by extending the closing date of the Offer or

closing the Rights Issue early. The Company also reserves the right not to proceed with the whole or part of the Rights Issue at any time prior to allotment.

The information provided in this announcement is not investment advice. You should read the entire release in relation to the Rights Issue and any materials lodged with ASX which you consider relevant and consider all of the risk factors that could affect the performance of the Company and the new shares in light of your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stock broker, lawyer or other professional adviser before deciding whether to invest in new shares. Specifically, shareholders should seek advice on the taxation implications of participating in the Rights Issue and have regard to the risks of investing in the Company as highlighted in the Company's announcements (including the Offer Booklet).