

A black and white close-up portrait of a woman with long, dark, wavy hair. She is wearing a multi-strand pearl necklace. Her face is partially in shadow, with her eyes looking directly at the camera. The background is dark.

# ATLAS

SOUTH SEA PEARL

SHAREHOLDER PRESENTATION November 2012



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## Status of Atlas South Sea Pearls Pty Ltd

On January 16<sup>th</sup> I took over the role as CEO of Atlas. As we close 2012, the pearling industry is now in the fourth year of this cyclical down-turn (2009-2012). My focus has been to create a sustainable business that is profitable at all points of the global economic cycles, by diversifying into products and concepts that open new demographics and markets that differentiate this bio-crystal. In the last 9 months Atlas has improved its liquidity, NTA, sales price for pearls and has commenced the commercialisation of R & D for low grade pearls and pearl by-products. I believe Atlas has performed well under trying circumstances.

The share price in the last 3 months has ranged from 4.5 cents to 6.2 cents.

Net tangible assets per share as at 30<sup>th</sup> June 2012 was 11 cents

Underperforming Share Price at 50% discount to NTA.





## Atlas Vision and Export Product Range

To create Australia's premium luxury multi-product export company, selling pearls and perfumes. Exports will be a wider range of luxury products, offering pearls, perfume ingredients, perfume and cosmetic technologies, market concepts, and consumer products that can demonstrate to the supply chain competitive advantage and product differentiation.

Traditional loose pearls for wholesale into the \$ 200 million south sea pearl export marketplace.

Consumer Products based on perfumed pearl jewellery using off shapes and non conventional pearls, perfumes and cosmetics under the brands Raw Spirit and Sea Spirit.

License agreements to global brands for micronized powder products, pearl extracts and a range of other perfume extracts for usage into the global + \$ 200 billion market for perfumes and cosmetics.

To create Australia's premium luxury multi-product export company.



## Platform for Growth

The protracted nature of this weak global economy has allowed Atlas to acquire distressed pearling assets at good prices, allowing it to increase the scale of its pearling production and build a novel set of technologies for pearling by-products.

As well as organic growth, Atlas has commenced reviewing other suppliers of natural ingredients. With the luxury industry networks that Atlas has established, the successful acquisition of Essential Oils of Tasmania will give it the technical capacity to refine other Australian and Indonesian natural ingredient extracts and distillates that compliment its exports to the luxury sector.

The joint expertise of the two companies will allow them to fast track perfume ingredient opportunities in Australia and Indonesia from pearls and other plant based industries.



## Essential Oils of Tasmania

**5 Years of Atlas research complimented by the technical skills of Essential Oils of Tasmania.**

Atlas has the right to acquire Essential Oils of Tasmania, subject to shareholder approval and the raising of a minimum of \$ 1.5 m.

On the 26<sup>th</sup> of October we announced a \$ 2.35 million combined investment in World Senses Pty Ltd, a 50/50% partnership with Nomad Two Worlds, to purchase and on-sell fragrances produced by Essential Oils of Tasmania. World Senses will focus on the development of consumer products using Perl'fume™ technologies and fire tree, under the brands Raw Spirit and Sea Spirit.

Essential Oils of Tasmania and World Senses Pty Ltd will also export/license the Perl'fume™ technology and perfume ingredient raw materials to multi-national brands.

Market networks to compliment EOT's technical skills.





## Commercialisation of Perfume R & D

Through the refining and processing technologies being developed by Essential Oils of Tasmania for pearl perfumes and cosmetics for Perl'fume™ Technologies, a range of new perfume exports is being developed for export in 2013 for novel perfumes and perfume raw materials from volatile extracts and cosmetic ingredients from micronised powder and from non-volatile extracts of the pearl, pearl shell and soft tissue.

Atlas Pearls and Perfumes Ltd (which is subject to shareholders approving the change of Company name) will expand the existing exports of mainstream fragrance and flavour products (eg blackcurrant, peppermint, fennel, lavender and parsley oils). Commercial focus will be on expansion of existing products and customers for strategic perfume ingredients with competitive advantage (eg boronia and Tasmanian mountain pepper). Atlas Pearls and Perfumes Ltd will identify new luxury perfume and cosmetic raw materials and develop strategic raw materials into finished consumer products through the World Senses brands Raw Spirit and Sea Spirit and global licensing agreements to multi-national brands.

Atlas Pearls and Perfumes Ltd will expand via diversification and value adding.

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## Pearl Operations Update

- First harvest from Punggu (Komodo) farm conducted in October 2012.
- Encouraging results with excellent pearl lustre and shape.
- Atlas will expand this low-cost farm in 2013 with additional oyster capacity by redeploying existing assets to Punggu.
- The Company's third hatchery located at Lembata is now operational, providing comprehensive backup and diversification for the breeding of broodstock.
- Now we have an integrated chain of locations stretching from Bali through to Alyui providing:
  - ◆ geographical diversification;
  - ◆ risk mitigation;
  - ◆ maximised cost efficiency due to closer geographical distances between farms;
  - ◆ the opportunity to fully integrate the results of our selective breeding programme.

The 2010 pearl inventory investments are now bringing increased efficiency





## Pearl Farming Competitive Advantages

Continuous genetic research programme with James Cook University.

Produces a consistently higher quality white South Sea pearl than Asian producers.

Production systems have a 20 year track record.

Low cost of production compared to Australian producers.

We are farming over 5 regional locations in Indonesia, spread across 1,600km of water

3 Hatcheries

Competitive Advantage - Low cost / high quality producer of pearls.

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## Combined Revenues of Atlas and Essential Oils of Tasmania

In 2012 the challenge was the marketing strategy for pearls. We changed our marketing strategy in March 2012 and established our own auctions. This strategy was vindicated last month. With the excellent work of our highly skilled sales team who have just returned from Japan, having completed our most successful auction for the year, having cleared over 81% of the goods at a price that is 25% higher than January 2012 - an excellent result considering that the over-all wholesale market has not improved.

### October Sales - \$ 1.85 million

The Atlas Gross Revenue for October was the highest for 2012, with sales of \$ 1.85 m. Additionally Essential Oils of Tasmania had their best sales since the company was founded and closed the month of October with gross revenues of \$ 350K

Latest loose pearl auction cleared 81% of stock realising over \$1.5M



## **Board Composition**

Expanded Board membership is being finalised.

Directors appointments are awaiting shareholder approval of the acquisition.

Directors will reduce fee's from 1/12/12 until the company returns to dividends.

## **Dividend Policy**

Atlas paid a .02 cents per share dividend in 2008.

No dividend has been forecast for the first half of 2013.

The Board will review its dividend policy in July 2013.

## **Bank Support**

Atlas bankers have supported its strategy to acquire Essential Oils of Tasmania.

Our bankers have renewed the AUD 5M Yen facility with reduced financial covenants now in place.

Atlas will pay down the existing finance facility of the acquisition.

Bank support and a broader board skill set.





## Fiscal Summary

Atlas has maintained a policy of prudent balance sheet write downs.  
This is to ensure its biological assets reflect realisable end market values.  
Atlas share price is currently less than 50% of the Net Tangible Assets.  
Global pearl commodity prices are stagnant even though the luxury sector continues to grow.

Essential Oils of Tasmania Pty Ltd and World Senses Pty Ltd are investments to value add and diversify the luxury product mix of Atlas that will mitigate the traditional cyclical nature to shareholder value, as the shares have historically tracked lower in periods of global uncertainty.

## Under-performance on the ASX

Due to the pearling closures in Australia (e.g. Arafura).  
General market opinion that pearls are a cyclical investment.  
Too small a capitalisation.  
Need to market the vision to the ASX stakeholders.

Atlas has broadened its base and will commercialise its R & D in 2013.



## Value Add and Diversify Luxury Goods

The pioneering of novel perfume ingredients requires a culture and mindset. Essential Oils of Tasmania is a multi-ingredient source of origin producer, processor and exporter of flavours and fragrances and will provide Atlas with technical capacity and the human resources and infrastructure to expand its research objectives.

It is famous for its success with Boronia, a precious compound that wholesales for \$ 10,000 per Kg and has now pioneered two other Indigenous Australian floral natural ingredients, Tasmanian Mountain pepper and West Australian fire tree oil. The company strength is plant genetics and clonal selection, crop propagation, harvesting, processing, extraction, fractionation, refining and aging of natural ingredients for the flavour and fragrance industry.

New luxury product categories with marketing and supply chain synergies.

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## Bulk Perfumes

There are over 400 new perfumes launched every year. A successful global perfume can sell over 20 million units per annum. A high grade raw material at say \$ 1,000 to \$2,000 per Kg would be typically used if it had strategic merit. It would be used at lower rates than non-strategic cheaper natural and synthetic compounds. At usage rates of between 0.05% - 0.50% concentration in a 50 ml perfume this would require 0.25 ml to 2.5 mls per unit respectively.

e.g.	<b>At 0.5%</b>	<b>At 0.05%</b>
1 million units	250 Kgs	25 Kgs
10 million units	2.5 tonnes	250 Kgs
20 million units	5.0 tonnes	500 Kgs

A supplier of strategic perfume compounds has to budget to supply a range of volumes, for sales a budget of between 1-10 million units (25 Kgs up to 2.5 tonnes) is realistic for a successful perfume. However it must have the capacity to scale up if the perfume is a run away success.

Strategic supplier of strategic luxury raw materials.





## Product Differentiation for Pearls Using Perl'fume™ Technologies

Traditional pearl products have struggled to retain margin in the last four years. Atlas has developed new price points and a convergence of pearl and perfume products into a unique selling proposition that has been protected by a range of IP tools including Patent Pending 2012 - 902 645. These technical advantages will be complimented with Nomad Two Worlds' access to the celebrity and distribution networks in the USA.

Infused perfumed pearls will leverage off the large brands and retail outlets that control luxury sales of jewellery, perfumes and cosmetics and provide competitive advantages, product differentiation and synergy savings via bringing the two categories of luxury (jewellery and perfume) into one product proposition. The aim is to use the traditional jewellery retail market to introduce perfume sales into the jewellery distribution sector through its brands Raw Spirit and Sea Spirit; thereby creating an *"uncontested space"* that will facilitate the sale of pearls as well as a range of our perfumes and body care technologies.



## **Pearl Based Sea Spirit Range for 2013 Global Release \***

Dream Sea Perfume.

Dream Sea infused pearls and pendants.

Dream Sea Pearl powder (replacement talcum powder).

Dream Sea Skin Lightening/regeneration lotion.

Dream Sea Bath Oil.

### **Colour Coded Cosmetics**

Lipsticks, fingernail varnish and powders (blush etc).

### **Other**

Ingestible capsules for nutraceuticals and cosmeceutical application.



\* Aim to have mid-year launch after market and product testing.

First Pearl perfume created by Michel Roudnitska, Art et Parfum, France.

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## Conclusion

Since taking the role of CEO 9 months ago, I have been able to move various parts of our product and export market development into a commercialisation phase and I believe that the last four years R & D is about to be rewarded.

I take personal responsibility that the actions of my management team and Board have failed to lift the share price. In this period my focus has been on fundamentals such as liquidity, profitability and the growth of a diverse value added revenue stream.

The 2008 GFC crisis has halved the value of south sea pearls and revenue dropped to \$ 6.9 m in 2009. In spite of the ongoing impact of the GFC, Atlas has lifted its revenue, NPAT and EBITDA substantially and has managed to grow through organic growth and acquisitions through these troubled times. The proposed new pearl and perfume company has forecast growth in 2013 over the expected sales for 2012 which will in the order of \$12-13 million for Atlas and Essential Oils of Tasmania (excluding the new joint venture World Senses).

Significant revenue growth from \$ 6.9 m in 2009 to in excess of \$12-13 m in 2013 **ATLAS**



Thank you for your support

Stephen Birkbeck 21/11/12

