ATLAS

PEARLS AND PERFUMES

ABN 32 009 220 053

ASX RELEASE

ASX: ATP

30th August 2013

Half Year Results

ASX RELEASE

Atlas Pearls and Perfumes Limited ("Atlas"; ASX: ATP) today published its six month report for the half-year ended 30 June 2013.

This is a one off report as a result of changing the financial reporting period from a calendar year to the standard Australian financial year. This six month result does not reflect a full year of operation and revenue and has incorporated the acquisition of Essential Oils of Tasmania. The core pearling business has completed a restructure and is operating with an improving market share and pearl price. Sales of pearls were strategically delayed into July 2013 to allow additional growth and to create competitive tension. As a result limited sales were conducted within the report period, which has impacted on the reported revenue. The new business sectors of Essential Oils of Tasmania and World Senses are in the incubation stage and within this six month period have recorded losses. The result for first half of 2013 does not reflect the underlying current performance of the group and Atlas is anticipating a profit for the financial year of 2013/14.

The Board and Management of Atlas are confident our strategy to become a vertically integrated producer and distributor of south sea pearls, jewellery and perfumes into the luxury supply chain is progressing to plan. Our core loose pearl business is experiencing its best prices in six years. Over the last 12 months, the value added pearl jewellery business has grown to a point where it now more than 100 accounts throughout Australia and our World Senses joint venture is on the cusp of gaining some serious traction in the U.S.A. marketplace with pearl perfumes manufactured by Essential Oils of Tasmania.

We take this opportunity to thank our shareholders and employees for their loyal support and look forward to 2013-14 being a year of great success.

Yours sincerely

Stephen Birkbeck
Chairman

About Atlas
Atlas Pearls and Perfumes Ltd ("Atlas", ASX:ATP) is an Australian based pearling and perfume 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 wholesale partners and via its retail outlets. In 2012 the Company expanded its operations into perfumes and is currently developing a range of propriety products which include pearl powder (cosmetics and nutraceuticals), pearl proteins (cosmetics), pearl volatiles and fire tree (perfumes) for supply into the global luxury supply chain

ATLAS PEARLS AND PERFUMES LTD
ABN 32 009 220 053

Appendix 4E – Preliminary Final Report

Reporting period – six month to 30 June 2013

Previous corresponding period – twelve months to 31 December 2012

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Results for announcement to the market

Consolidated Financial Results	**Compared to actual for previous 6 months ending 30 June 2012**		**6 months ending 30 June 2013**
Total revenue from ordinary activities	Down	15%	3,505,125
Profit / (loss) from ordinary activities after tax attributable to the owners of Atlas Pearls and Perfumes Ltd	Down	167%	(2,194,645)
Net Profit/(loss) attributable to the owners of Atlas Pearls and Perfumes Ltd	Down	167%	(2,194,645)
Dividends	**Amount per security**		**Franked Amount per security**
Dividend per ordinary share in respect of 30 June 2013 financial period	**0.0 cents**		**0.0 cents**

Brief Explanation

This six month financial report is a one off document as a result of changing the financial reporting period from a calendar year to the standard Australian financial year. This six month result (January 1 – June 30, 2013) does not reflect a full year of operation and revenue and has incorporated the acquisition of Essential Oils of Tasmania (EOT). The core pearling business has completed a restructure and is operating with an improving market share and pearl price. Sales of pearls were strategically delayed to allow additional growth and to create competitive tension. As a result limited sales were conducted in this six month period. The new business sectors of EOT and World Senses are in the incubation stage and within this six month period have recorded losses. The result for first half of 2013 does not reflect the underlying current performance of the group and Atlas is anticipating a profit for the financial year of 2013/14.

Refer to the section headed "**Commentary on the Results**" for further details.

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2013

	Note	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Revenue from continuing operations	2	3,505,125	12,304,756
Cost of goods sold		(1,389,004)	(5,403,943)
Gross profit		2,116,121	6,900,813
Other income	2	1,754,041	2,051,581
Marketing expenses		(88,221)	(157,668)
Administration expenses	3	(3,444,476)	(4,625,963)
Finance costs	3	(240,532)	(266,541)
Other expenses	3	(3,763,505)	(4,262,875)
Profit/(Loss) before income tax		**(3,666,572)**	**(360,653)**
Income tax (expense)/benefit		1,471,927	1,766,803
Profit/(Loss) for the year from continuing operations		**(2,194,645)**	**1,406,150**
Other comprehensive income/(expenses)			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		1,181,648	(1,795,785)
Share of other comprehensive income of joint ventures		-	-
Income tax on items that will be reclassified to profit or loss		-	-
Other comprehensive income/(expenses) for the year, net of tax		**1,181,648**	**(1,795,785)**
Total comprehensive income/(expenses) for the year		**(1,012,997)**	**(389,635)**
Profit/(loss) is attributable to:			
Owners of the Company		**(2,194,645)**	**1,406,150**
Total comprehensive income/(expenses) is attributable to:			
Owners of the Company		**(1,012,997)**	**(389,635)**
Overall operations :			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share **(cents)**	4	(0.81)	0.68
Diluted earnings per share **(cents)**	4	N/A	0.67

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2013

	Note	30 June 2013 $	31 Dec 2012 $
Current assets			
Cash and cash equivalents		1,767,156	2,127,414
Trade and other receivables		1,074,871	3,335,254
Derivative financial instruments	5	-	181,327
Inventories	6	7,115,790	4,632,909
Biological assets	7	5,914,682	7,613,044
Total current assets		15,872,499	17,889,948
Non-current assets			
Loans joint venture entities		313,926	127,816
Equity accounted for investments		280,984	554,766
Other investments		-	89,105
Inventories	6	223,399	176,936
Biological assets	7	11,535,561	8,821,501
Property, plant and equipment		4,513,455	4,040,748
Deferred tax assets		2,936,629	1,900,919
Total non-current assets		19,803,955	15,711,793
Total assets		35,676,454	33,601,741
Current liabilities			
Trade and other payables		2,329,224	2,148,962
Borrowings	8	4,436,797	4,755,043
Derivative financial instruments	5	404,627	-
Current tax liabilities		234,884	368,091
Short-term provisions		92,037	1,805
Total current liabilities		7,497,569	7,273,901
Non-current liabilities			
Trade and other payables		-	-
Borrowings	8	837,646	180,879
Deferred tax liabilities		1,544,570	1,930,243
Long term provisions		-	-
Total non-current liabilities		2,382,216	2,111,122
Total liabilities		9,879,785	9,385,023
Net assets		25,796,669	24,216,718
Equity			
Contributed equity	9	30,203,033	27,610,085
Reserves	10	(7,284,974)	(8,466,622)
Retained profits/(accumulated losses)	11	2,878,610	5,073,255
Total equity		25,796,669	24,216,718

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the period ended 30 June 2013

Consolidated	Attributable to owners of Atlas Pearls and Perfumes Limited				
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total equity
	$	$	$	$	$
Balance at 1 January 2013	**27,610,085**	**581,029**	**(9,047,651)**	**5,073,255**	**24,216,718**
Profit/(loss) for the period	-	-	-	(2,194,645)	(2,194,645)
Exchange differences on translation of foreign operations	-	-	1,181,648		1,181,648
Total comprehensive income for the period	**-**	**-**	1,181,648	(2,194,645)	(1,012,997)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	2,592,948	-	-	-	2,592,948
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	2,592,948	-	-	-	2,592,948
Balance at 30 June 2013	**30,203,033**	**581,029**	**(7,866,003)**	**2,878,610**	**25,796,669**
Balance at 1 January 2012	**23,287,552**	**581,029**	**(7,251,866)**	**3,667,105**	**20,283,820**
Profit/(loss) for the year	-	-	-	1,406,150	1,406,150
Exchange differences on translation of foreign operations	-	-	(1,795,785)	-	(1,795,785)
Total comprehensive income for the year	**-**	**-**	(1,795,785)	1,406,150	**(389,635)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	4,322,533	-	-	-	4,322,533
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	4,322,533	-	-	-	4,322,533
Balance at 31 December 2012	**27,610,085**	**581,029**	**(9,047,651)**	**5,073,255**	**24,216,718**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cashflows

For the period ended 30 June 2013

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Cash flows from operating activities		
Proceeds from pearl, jewellery and oyster sales	2,336,290	11,358,557
Proceeds from essential oil sales	682,947	-
Proceeds from other operating activities	299,375	45,906
Interest paid	(169,515)	(239,661)
Interest received	22,221	33,329
Payments to suppliers and employees	(6,637,748)	(11,111,972)
Income tax (paid)/received	2,321,163	(390,105)
Net cash provided by/(used in) operating activities	(1,145,267)	(303,946)
Cash flows from investing activities		
Cash obtained on business combination	142,221	-
Payments for property, plant and equipment	(233,328)	(900,576)
Joint venture partnership contributions (paid)/received	(186,109)	(100,000)
Other loans	-	(89,105)
Net cash provided by/(used in) investing activities	(277,216)	(1,089,682)
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(1,646,257)	(997,466)
Proceeds from issue of shares	1,640,271	4,235,055
Share transaction costs	(43,688)	(105,923)
Proceeds from convertible notes	1,100,000	-
Net cash provided by/(used in) financing activities	1,050,326	3,131,666
Net increase/(decrease) in cash and cash equivalents	(372,157)	1,738,039
Cash and cash equivalents at the beginning of the financial period	2,127,414	409,871
Effects of exchange rate changes on cash and cash equivalents	11,899	(20,496)
Cash and cash equivalents at the end of the financial period	1,767,156	2,127,414

The above statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report covers the economic entity of Atlas Pearls and Perfumes Ltd and its controlled entities. Atlas Pearls and Perfumes Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Atlas Pearls and Perfumes Ltd and its controlled entities has been prepared in accordance with Australian Accounting Standards, which includes AIFRS, and the Corporations Act 2001. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

b) Revenue recognition

(a) Sales revenue comprises of revenue earned from the sale of products or services to entities outside the consolidated entity. Sales revenue is recognised when the goods are provided or when the fee in respect of services provided is receivable.

(b) Interest income is recognised as it accrues.

(c) Asset sales revenue comprises of the gross proceeds of the assets. The profit and loss on disposal of assets is brought to account at the date on which an unconditional contract is signed.

c) Biological assets

Oysters and Crops are measured at their fair value less estimated point of sale costs. The fair value of these biological assets is determined by using the present value of expected net cash flows from the oysters/crops, discounted using a pre-tax market determined rate.

Changes in fair value less estimated point of sale costs of these assets are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the year they arise.

Pearls are initially measured at their fair value less estimated point of sale costs at each reporting period. The fair value of pearls is determined by reference to market prices for pearls at the time of harvest.

The gain on initial recognition of pearls is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the year of harvest. At the time of harvest, pearls are recorded as inventory.

d) Convertible notes

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

e) Other accounting policies

A full description of other accounting policies was included in the financial report for the year ended 31 December 2012 and will also be included in the 30 June 2013 report.

2. Revenue

	Consolidated	
	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
	$	$
Sales Revenue		
Sale of goods	3,252,608	11,232,428
Other Revenue		
Interest income	18,629	916,881
Other revenues	233,888	155,447
Revenue	3,505,125	12,304,756
Change in net market value of biological assets		
Change in fair value less point of sale costs of oysters	-	751,169
Gain arising on initial recognition of harvested pearls	-	-
Other Income		
Foreign exchange gains realised	400,792	703,711
Foreign exchange gains unrealised	885,945	73,893
Gain on financial instruments realised	-	31,402
Gain on financial instruments unrealised	-	327,777
Gain on sale of intangible	-	163,627
Gain on acquisition of EOT	59,911	-
Gain on derivative liability	32,177	-
Insurance refund	114,431	-
Write back of dividend provision	260,785	-
Other Income	1,754,041	2,051,581

3. Profit before income tax includes the following specific expenses:

Finance Costs		
Interest and finance charges payable	240,532	266,541
	240,532	266,541
Administration expenses from ordinary activities		
Salaries and wages	1,479,544	2,167,526
Depreciation property, plant and equipment	136,160	215,522
Operating lease rental costs	172,094	496,988
Compliance and finance	657,450	471,443
Other	999,228	1,274,484
	3,444,476	4,625,963

3. Profit before income tax includes the following specific expenses (Cont.)

	Consolidated	
	6 Months Ending 30 June 2013	**12 Months Ending 31 Dec 2012**
	$	**$**
Other expenses from ordinary activities	-	
Loss on financial instruments unrealised	195,806	-
Provision for employee entitlements	135,128	13,313
Change in fair value less husbandry costs of oysters	735,322	-
Write-off of pearl costs	1,745,978	3,898,114
Changes in fair value less husbandry costs of Crops	442,183	-
Share of loss on joint ventures	273,781	83,154
Write-down on investments	84,693	-
Other	150,614	268,294
	3,763,505	4,262,875

4. Earnings per Share

	Consolidated	
	6 Months Ending 30 June 2013	**12 Months Ending 31 Dec 2012**
	CENTS	**CENTS**
Basic earnings per share (cents per share)	(0.81)	0.68
Diluted earnings per share (cents per share)	N/A	0.67

	Consolidated	
	30 June 2013	**31 Dec 2012**
Earnings reconciliation	**$**	**$**
Net profit/(loss) used for basic earnings	(2,194,645)	1,406,150
After tax effect of dilutive securities	-	-
Diluted earnings	(2,194,645)	1,406,150

4. Earnings per Share (Cont.)

	No.	No.
Weighted average number of ordinary share outstanding during the year used for calculation of basic earnings per share	271,638,917	206,854,705
Adjustments for calculation of diluted earnings per share: Employee Share Plan shares	N/A	3,855,060
Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earnings per share	N/A	210,709,765

As at reporting date, 5,301,616 treasury shares (2012: 7,964,000) and 1,100,000 convertible notes (2012: nil), which represent potential ordinary shares, were not dilutive as they would increase the loss per share.

5. Financial Instruments

	Consolidated	
	30 June 2013	31 Dec 2012
Derivative financial assets		
Foreign exchange forward contracts	-	181,327
	-	181,327
Derivative financial liabilities		
Foreign exchange forward contracts	14,479	-
Convertible notes	390,148	-
	404,627	-

Derivative financial assets and liabilities comprise forward foreign exchange contracts and foreign currency options which are in place as cash flow hedges an embedded derivative in the and convertible note agreements. Gains and losses arising from changes in fair value of foreign exchange contracts and convertible notes are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

6. Inventories

	Consolidated	
	30 June 2013	31 Dec 2012
CURRENT		
Pearls – at cost	2,454,602	1,742,005
Essential oil finished products – at cost	1,140,927	-
Other – at cost		
- Jewellery	3,010,595	2,495,533
- Pearl Meat	46,464	4,273
- Mother of Pearl	160,268	98,215
- Farm Equipment & Fuel	302,934	292,883
	7,115,790	4,632,909
NON CURRENT		
Nuclei – at cost	223,399	176,936
TOTAL INVENTORY	7,339,189	4,809,846

7. Biological assets

CURRENT		
Oysters – at fair value	5,818,298	7,613,044
Crops – at fair value	96,384	-
	5,914,682	7,613,044
NON CURRENT		
Oysters – at fair value	11,204,083	8,821,501
Crops – at fair value	331,478	-
	11,535,561	8,821,501
TOTAL BIOLOGICAL ASSETS	17,450,243	16,434,545

8. Borrowings

	30 June 2013	31 Dec 2012
	$	**$**
BORROWINGS		
CURRENT		
Secured		
Bank loan	4,226,864	4,303,195
Other bank loan	-	95,400
Lease liabilities	126,033	121,951
Total secured current borrowings	4,352,897	4,520,546
Unsecured		
Other	83,900	234,497
Total current borrowings	4,436,797	4,755,043
NON CURRENT		
Secured		
Bank loan	-	-
Other bank loan	-	70,470
Lease liabilities	52,868	110,409
Total secured non current borrowings	52,868	180,879
Unsecured		
Convertible Notes	784,778	-
Total non current borrowings	837,646	180,879

Bank loans are secured by a registered company charge by Commonwealth Bank of Australia over the whole of the assets and undertakings including uncalled capital of Atlas Pearls and Perfumes Ltd and its related entities except for the shares and assets of Essential Oils of Tasmania Pty Ltd and World Senses Pty Ltd. The bank loans are provided under a Japanese Yen Domestic Foreign Currency Advance facility with a fixed interest rate which currently stands at 3.66% repayable on 31 May 2016 and an undrawn Australian Dollar Bills Discount facility with a bank bill rate of BBSY plus a margin of 3.55% repayable one year from the draw down date. As at the reporting date the Company had drawn down $4,226,864 (31 Dec 2012: $ 4,303,195) and had undrawn facilities available of $773,136 (31 Dec 2012: $696,805). The loans can be drawn at any time and are subject to annual review.

The Other bank loan (secured) also provided by Commonwealth Bank of Australia was repaid during the period ended 30 June 2013.

Lease liabilities have been provided by St George Bank and Esanda and are effectively secured by the rights to the leased assets, recognised in the financial statements, which revert to the lessor in the event of default. The value of the loans relating to Lease liabilities as at the reporting date was $178,901 (31 Dec 2012: $232,360).

8. Borrowings (Cont.)

During the reporting period Atlas issued new Convertible Notes for a total value of $1,100,000. The Convertible Notes have a maturity date of 2 years after issue, attract an interest rate of 6% payable six monthly in arrears and are redeemable for ordinary shares in Atlas at any time during the 10 Business Days prior to the first anniversary of the Issue Date for the Convertible Notes; or the Maturity Date of the Convertibles Notes, or such other period as agreed in writing between the Company and the Noteholder. If the Noteholder exercises its conversion right, the Company must comply by redeeming all of the convertibles notes referred to in the Conversion Notice at their Face Value; and applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Noteholder at a price per Conversion Share equal to the lower of: 5 cents or 90% of the 10 day volume weighted average.

The company is required to meet three financial undertakings to comply with the lending conditions as follows:

1. Earnings before interest, tax, depreciation, amortisation and exceptional items (Normalised EBITDA) will be greater than and at least equal to;
    1. $1,500,000 for the 12 months 1 July 2013 to 30 June 2014; and
    2. $1,500,000 for the 12 months 1 July 2014 to 30 June 2015; and
    3. $1,500,000 for the 12 months 1 July 2015 to 30 June 2016.
2. Minimum net worth of the borrower (Atlas) will at all times be greater than $18,000,000; and
3. The ratio of net worth of the borrower to total tangible assets of the borrower will at all times be equal to or greater than 60%.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

9. Contributed Equity

	Consolidated	
	30 June 2013	**31 Dec 2012**
	$	**$**
Fully paid Ordinary Shares	30,203,033	27,610,085

Reconciliation of Contributed Equity 30 June 2013

	No.	**$**
Ordinary Shares :		
At the beginning of the financial year	229,171,072	27,610,085
Shares issued	52,566,090	2,592,948
At the end of the financial year	281,737,162	30,203,033

Reconciliation of Contributed Equity 31 Dec 2012

	No.	**$**
Ordinary Shares :		
At the beginning of the financial year	140,958,097	23,287,552
Shares issued	88,212,975	4,322,533
At the end of the financial year	229,171,072	27,610,085

Treasury Shares	**30 June 2013**	**31 Dec 2012**
	No.	**No.**
At the beginning of the financial year	7,964,000	1,900,000
Shares issued	2,931,616	6,064,000
Shares released	(5,594,000)	-
At the end of the financial year	5,301,616	7,964,000

9. Contributed Equity (Cont.)

Treasury shares are shares in Atlas Pearls and Perfumes Ltd that are held by the Atlas South Sea Pearl Limited Executive Share Plan Trust and the Atlas South Sea Pearl Limited Employee Share Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee Share Plan, the Atlas South Sea Pearl Employee Salary Sacrifice Share Plan and the Atlas South Sea Pearl NED Fee Sacrifice Plan.

10. Reserves

	Consolidated	
	30 June 2013	**31 Dec 2012**
	$	**$**
Foreign currency translation reserve	(7,866,003)	(9,047,651)
Employee share reserve	581,029	581,029
	(7,284,974)	(8,466,622)

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the presentation currency.

The employee share reserve records the value of equity based remuneration to executives of the company.

11. Retained Profits

	Consolidated	
	30 June 2013	**31 Dec 2012**
	$	**$**
Balance at beginning of the year	5,073,255	3,667,105
Net profit/(loss) for the year	(2,194,645)	1,406,150
Dividends paid	-	-
Balance at end of year	2,878,610	5,073,255

12. Contingent Assets and Liabilities

The 2008 tax audit for PT Cendana Indopearls was completed during the reporting period and a liability in the order of IDR 3,504,206,185 or AUD$350,000 has been assessed by the Indonesian Tax Office. PT Cendana Indopearls are in agreement with an amount in the order of AUD$50,000 and plan to dispute the balance of AUD $300,000 via an appeal process.

Amounts totalling approximately AUD $180,000 are in dispute with the Indonesian Tax Office for deductions made from the 2007 Income Tax Refund.

13. Business Combination

On 15 January 2013 the parent entity acquired 100% of the issued share capital of Essential Oils of Tasmania Ltd, a grower and producers of essential oils. The acquisition is a strategic move for the Group further extending its supply chain to encompass an established manufacturer of essential oils that has the technical knowledge to manufacture cosmeceutical products.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration:	
Cash paid	-
Share based payment consideration (refer below)	500,000
Total purchase consideration	500,000

13. Business Combination (Cont.)

The asset and liabilities recognised as a result of the acquisition are as follows:

	Fair value **$**
Cash	142,221
Trade receivables	351,450
Other current assets	30,150
Income tax receivable	70,124
Inventories	784,935
Biological assets	568,454
Land and buildings	5,980
Plant and equipment	368,712
Other non-current assets	24,429
Deferred tax assets	-
Trade payables	(300,974)
Loans to directors	(200,000)
Borrowings	(1,200,000)
Provision for employee benefits	-
Deferred tax liability	(85,570)
Net identified assets acquired	559,911
Gain on acquisition	59,911

(i) *Share based payment consideration*
Atlas acquired Essential Oils of Tasmania for a purchase price of $650,000 by way of issuing 10,000,000 fully paid ordinary shares in Atlas having an agreed value of $650,000. The fully paid ordinary shares in Atlas issued to the owners of Essential Oils of Tasmania must be recorded at fair value. The share price of Atlas at the date of settlement being the 15th of January 2013 was $0.05. The fair value of the 10,000,000 fully paid ordinary shares or the contingent consideration is therefore $500,000.

(ii) *Revenue and profit contribution*
The acquired business contributed revenues of $503,076 and a net loss of ($533,446) to the group for the period 15 January to 30 June 2013.

(iii) *Information not disclosed as not yet available*
The Group has reported a provisional gain on acquisition as part of the purchase of Essential Oils of Tasmania Pty Ltd (see above) as the final assessment of the fair value of assets is yet to be determined.

Commentary on the Results

1. Summary of Financial Results

The movements have been compared to the review of 30 June 2012 to provide the reader with a more useful comparison to the six months ended 30 June 2013.

	6 Months Ending 30 June 2013	6 Months Ending 30 June 2012	Change	%
	$'million	$'million	$'million	
Total Revenue from Continuing operations	3.51	5.36	(1.85)	(35)
Profit/(Loss) from continuing operations	(2.19)	0.16	(2.35)	(1505)
Normalised EBITDA	(1.25)	0.46	(1.71)	(373)
Net asset value	25.80	24.51	1.29	5
Gearing (debt : equity)	20%	22%	(0.01)	(5)

Reconciliation of Normalised EBITDA to Net Profit/(Loss) After Tax (Consolidated Statement of Comprehensive Income)

	6 Months Ending	6 Months Ending
	30 June 2013	30 June 2012
	$	$
Net profit/(loss) after tax	(2,194,645)	156,199
Add: Income tax expense/(benefit)	(1,471,927)	54,483
Add: Net Interest	221,903	90,647
Add: Depreciation/Amortisation	136,160	107,755
Add: Net Forex (gain)/losses	(1,090,931)	(169,014)
Add: Revaluation of Biological Assets and Inventory	2,907,779	148,020
Add: Derivative Instruments (gain)/losses	(32,179)	-
Add: Non-operating expenditure	273,782	70,015
Normalised EBITDA	**(1,250,058)**	**458,105**

2. Six Months in Perspective

This report is a one off six month financial report required as part of changing over to Australian report year. The results reflect a strategic decision to move a major pearl auction event from June to July in order to capitalise on improving market sentiment and allowing a much greater number of pearls to be offered at a single sales event. Had the original date of auction gone ahead the loss reported for this period would have been reduced. The Company will next report for a full twelve months trading for the period 1st July 2013 to 30 June 2014.

2. Year in Perspective (Cont.)

	30 June 2013	30 June 2012	Change	%
	$'million	$'million		
Cash and cash equivalents	1.8	2.7	(0.95)	(35)
Trade and other receivables	1.1	0.9	0.15	16
Trade and other payables	2.3	1.7	0.59	34
Inventories	7.3	7.0	0.35	5
Borrowings	5.3	5.3	(0.01)	-
Net Equity	25.8	24.5	1.29	5

The Company's net equity position improved by 5% from 30th June 2012 to 30th June 2013.

Revenues and Normalised EBITDA

Revenue of Loose Pearls were lower than the 2012 comparative with sales of $1,866,608 for the six month period (2012 - $4,399,483) as the Company delayed pearl sales events and some pearl harvests as previously explained. Holding back the harvest and auction of the majority of 2013 production to the second half of the year has had a negative impact on Normalised EBITDA for the six months to 30 June 2013 but will have reverse effect on the Normalised EBITDA for 2013/14.

New sales of essential oils of $503,076 were realised as a result of the acquisition of Essential Oils of Tasmania in January 2013.

	6 Months Ended 30 June 2013 $	6 Months Ended 30 June 2012 $
Loose pearl sales	1,866,608	4,399,483
Retail & value added jewellery sales	604,121	841,636
Essential Oils	503,076	-
By-product sales	116,012	64,318
	3,038,817	5,305,437
Interest	18,629	26,909
Other operating revenue	396,679	23,832
Revenue from continuing operations	3,505,125	5,356,178

Gross Profit

Gross Profit percentage overall increased to 60% for the first six months of 2013 from 56% in 2012 as loose pearl prices rose due to the reduced supply of white south sea pearls as a result of lower global production.

2. Year in Perspective (Cont.)

Administration Costs

Administration costs for the six months ended 30 June 2013 were $3,444,476 (2012 - $2,139,774). The expansion into Essential Oils of Tasmania accounted for $423,318 of this increase, travel costs also increased $143,755 on the comparative period due to the increased geographical diversity of the Group, additionally costs associated with the consolidation of our Bali farm sites which resulted in the closure of the Tianyar facility and restructuring of the finance team contributed towards a one off increase in labour costs of $152,731.

Taxation

The Company received IDR 23,292,124,445 (approximately $AUD 2.3M) in February 2013 as a result of its positive win in the Indonesian Taxation Court over the double taxation from 2007.

Biological Assets (Oysters)

The number of oysters increased from 1,867,634 at 31 Dec 2012 to 1,972,854 at 30 June 2013 with additional supply coming from the Lembata technical operation and improved survival.

Equity

The non-renounceable rights issue opened on 30 November 2012 and closed on 18 January 2013 raised capital of $1,584,686.

Share placements associated with the purchase of Essential Oils of Tasmania raised $250,000.

1,100,000 convertible notes were also issued during the period for a period of 2 years at a face value of $1 per note. The convertibles notes are all exercisable at $0.05 or 90% of the 10 day volume weighted average price of Atlas Shares at the time of conversion.

Production activities

Oyster seeded for the period January to June 2013 totalled 134,477 with a further 150,000 seedings scheduled for July and August. The total projected seedings for calendar year 2013 are expected to reach 550,000, similar to the 2012 season. North Bali and Lembata seeding programs have seen improved retention and general health of oysters.

Juvenile and Virgin stock remain stable with high growth and survival rates in the months leading up to June 2013.

A new R&D Hatchery facility is currently being built in North Bali with a dedicated focus on further improving selected Genetic Family lines. Commercial hatchery production recommenced in August after the seasonal dry-out period was completed.

The transition to a multi-site pearl growing operation was completed this year with commercial harvests from all 3 sites (Alyui, Alor and Pulau Punggu) and pearl quality has improved during this transition. The new sites have reduced running costs, mitigated the risk relying on a single pearl producing site and resulted in unique, site specific pearl characteristics broadening the appeal of Atlas pearls.

Marketing

Atlas continues to place an increasing emphasis on auctions as an effective distribution channel. This policy has been vindicated with improved results from the May and July auctions in 2013 with the latter experiencing sales prices in some categories not seen in six years. Demand for places at these auctions is now double the capacity of the facility, allowing Atlas to create some serious competitive tension amongst the forty or so best Japanese wholesale companies that are selected to attend. Two further auctions are planned for October and December.

2. Year in Perspective (Cont.)

Marketing (Cont.)

Europe and the U.S. remain fairly sluggish markets for pearl sales whilst Australia has become increasingly important for Atlas with select sales made directly to jewellers and retailers at significantly better margins. The Company has more than quadrupled the number of Australian accounts in the past twelve months and continues to increase 'value-add' (strands and matched pairs) sales to these customers. Atlas anticipates further sales growth as demand for its high quality pearls in the 9-12mm size range continues to firm due to the general scarcity for this category.

This new sales stream in strategic domestic sales of pearl strands and selected loose pearls has helped offset a poor retail environment.

Inventories

Inventory holdings increased as a result of the acquisition of Essential Oils of Tasmania and the Company's strategic decision to hold back loose pearl sales till July 2013 which maximised the return for the Kobe auction as a result of larger pearl parcels and higher average prices.

Other Information

Net tangible assets backing per share

	Consolidated	
	30 June 2013	**30 June 2012**
	$	**$**
Net assets	25,796,669	24,507,666
Addback/(deduct) net intangibles	(987,432)	675,222
Net tangible assets	24,809,237	25,182,888
Number of shares outstanding	287,038,778	231,071,072
Net tangible assets per share	$0.09	$0.11

Acquired or Disposed Controlled entities

On the 15th of January 2013 the Company acquired 100% of shares in Essential Oils of Tasmania Pty Ltd.

Associates and Joint Ventures

The Company holds a 50% share in World Senses Pty Ltd which is a joint venture with Nomad Two Worlds Global Trading Pte Ltd.

Compliance Statement

This report has been prepared in accordance with Australian Accounting Standards, which includes AIFRS and the Corporations Act 2001. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Reporting Standards (IFRS). It is lodged with the ASX under Listing Rule 4.3A.

This report and the financial statements upon which the report is based use the same accounting policies. This report gives a true and fair view of the matters disclosed.

The accounts are in the process of being audited. No qualifications are anticipated from the auditor. The audit report by the auditor will be included in the Atlas Pearls and Perfumes Ltd Report for 30 June 2013.

Atlas Pearls and Perfumes Ltd
Declaration of Directors

The Directors of the Company declare that:

(a) the Appendix 4E comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cashflows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and :

  (i) give a true and fair view of the financial position as at 30 June 2013 and the performance for the period ended on that date of the consolidated entity; and

  (ii) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) the Chief Executive Officer and Chief Financial Officer have each declared that:

  (i) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;

  (ii) the Appendix 4E and notes for the financial period comply with the Accounting Standards;

  (iii) the Appendix 4E and notes for the financial period give a true and fair view; and

  (iv) a copy of the declaration by the Chief Executive Officer and the Chief Financial Officer has been given to the directors as required by section 295A of the Corporations Act 2001.

(c) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Stephen Birkbeck
Chairman

30th August 2013