

ATLAS

PEARLS AND PERFUMES

ABN 32 009 220 053

ASX RELEASE

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The Manager
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Preliminary Final Report – FY12

The Board is pleased to announce that Atlas has posted a gross revenue increase of 74% over the last three years from \$6.908m in FY09 to \$12.007m in FY12 with a 216% improvement in normalised earnings before interest, tax, depreciation and amortisation over the same period. A summary of the final year preliminary unaudited financial results for the year ended 31 December 2012 compared to the previous three years is as follows:

\$'000	FY12	FY11	FY10	FY09
Revenue from continuing operation	12,007	12,350	9,842	6,908
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	1,345	1,555	943	(1,159)
EBITDA margin	11.2%	12.6%	9.6%	N/A
Depreciation & amortisation	(216)	(121)	(54)	(74)
Foreign exchange gains/(losses)	1,136	(919)	(412)	2,043
Revaluation of Agriculture Assets (oysters and pearls)	(3,323)	962	2,719	(7,272)
Other non-operating income/(expenses)	(130)	(115)	(214)	(986)
Earnings before interest and tax (EBIT)	(1,188)	1,362	2,987	(7,416)
EBIT margin	N/A	11.0%	30.3%	N/A
Finance/interest net received/(paid)	352	(264)	(192)	(96)
Income tax gain/(expense)	2,176	(504)	(415)	330
Net profit after tax (NPAT)	1,341	594	2,387	(7,182)
Earnings per share (cents)	0.65	0.43	1.91	(6.25)
Assets	33,581	30,831	26,593	24,400
Debt	4,936	5,720	3,596	4,272
Shareholder funds	24,455	20,283	19,018	16,310
Debt/shareholder funds (%)	20%	28%	19%	26%
Number of shares on issue (million)	237.135	142.858	136.358	125.483
Net Tangible Assets per Share	10c	15c	14c	13c

CRP03 Appendix 4E Summary and Update 28 February 2013 Final.docx

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1. Industry outlook and overview

Pearling over the course of 2009-2012 has encountered unique challenges. Prices are significantly lower than prior to the global crisis of 2008 and producers of South Sea pearls that are unable to establish a strong marketing presence combined with cost effective, high quality production, have been removed from the supply chain. Sustained price pressure could see more pearl farming ventures close or scale back operations and it will further define the characteristics of those that survive. As the following overview demonstrates, Atlas has not only been able to survive through this period, it has traded profitably and expanded its competitive advantages over the 10-15 mm South Sea pearl global market.

2. Management Restructure

A management restructure in January 2012 resulted in a change of the guard and I was appointed CEO and Stephen Gleeson joined me as CFO in February. During 2012 we worked with the Chief Operating Officer of Indonesia and our Board to achieve a substantial reduction in the operating costs of Atlas; this has been partially achieved through further rationalisations of shipping between the Atlas pearl farms and efficiencies of scale that are now being felt from the commissioning of new pearl farms acquired in 2010.

My first action as the CEO was to conduct a thorough review of the production and marketing strategies. I believe the Atlas core business is sound and has clear competitive advantages. To have made a positive return in the market despite the depressed prices experienced from 2010 to 2012 bodes well for this counter cyclical investment.

3. Liquidity and Banking Support

The Commonwealth Bank (CBA) renewed the AUD\$5 Million Yen Loan on 19th December 2012 with the financial EBITDA covenant for 2013 being reduced in Atlas's favour, as at the date of this announcement the Company has approximately AUD \$0.9M in undrawn funds available on the CBA loan. Cash on hand as at 31st December 2012 has improved to \$2.1M from \$0.4M previously on hand as at 31st December 2011.

Additionally, the Company recently completed a non renounceable entitlement offer to support the acquisition of Essential Oils of Tasmania which raised in the order of AUD \$1.5M. Further working capital has been raised or committed in conjunction with the entitlement offer of AUD \$1.1M in Convertible Notes and AUD\$0.25M in share placements. This new capital of \$AUD\$2.85M together with the recently received funds from the 2007 Indonesian Tax Appeal (approximately AUD\$2.3M) provides Atlas with a solid liquidity position for 2013.

4. Economy of Scale

The pearling operations purchased in 2010 are now entering full-scale commercial operation and this is having a positive effect on costs and efficiencies. In 2012 the seeding program was comparable to 2011 with a total of 550,000 oysters entering the pearl growing cycle.

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5. Quality improvement through superior oyster selection

Atlas now operates two technical hubs (Bali and Lembata). Both sites are focused on the hatchery/breeding program through to first seeding. After seeding the resulting pearl growing oysters are shipped to the three maturation sites of Alyui Bay, Alor and Punggu. The additional sites have increased the transport efficiency and added significant geographical diversification. Further, by focusing specific tasks at sites most suited to these activities we are reducing the unit cost of production and seeing significant improvements in key quality indicators such as survival, growth and post operative retention (i.e. the number of pearls resulting from the seeding effort).

Our third hatchery, currently located in Alor, will be moved to Bali as a dedicated research and selective breeding facility.

6. Sales

Loose Pearl Sales

During 2012 Atlas changed its marketing and distribution of loose pearls strategy by holding fewer but larger auctions in Kobe, Japan and Hong Kong. Holding less auctions but with increased pearl quantities also supported improved grading and pearl presentation which helped increase the selling price.

Wholesale Sales

Atlas sold \$0.45M (exc. GST) of wholesale jewellery to the Australian based Showcase chain of stores in FY12 with our Perl'eco core ranging accepted by approximately 30 stores. The rapid uptake by the Showcase members is encouraging and the Company will place additional resources into the Wholesale division in FY13 to take advantage of this promising start.

Retail Sales

Retail sales for FY12 where \$1.47m excluding taxes (FY11 \$1.21m excluding taxes). In October 2012 the Company opened its seventh retail store in Sanur, which, together with its two farm outlets at Aljui and North Bali and the flagship store in Claremont takes the total number of outlets to nine. Trading conditions in FY12 softened in line with general retail industry sales experienced across the sector. The outlook for FY13 is expected to remain static although the Company has been able to achieve margin increase through a combination of new pricing strategies and reduced discounting. Atlas will be looking to open more low cost farm outlets in FY13 on its other Indonesian pearl farms.

7. CSR

The Atlas CSR program continues to improve following a major review in January 2012. Our scholarship program has expanded and is now operating in all our farm locations across Indonesia. Ensuring a continued focus on community relations in an inclusive way has kept our security risks to a minimum and ensured ongoing support at all levels of government.

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8. Propriety Extraction Technology

Atlas acquired propriety extraction technology developed over the last five years for the isolation of proteins and fragrance from pearl nacre. This technology has opened up the French export market for pearl powders and extracts with 5,000 kg's of pearl nacre sold to a French company. Technology developed by pharmaceutical groups in France is being trialed to extract key protein markers from pearl nacre and re-inject these compounds alongside selective marine extracts to establish anti-aging and regenerative qualities in addition to provenance credentials and the resulting products are being presented to global brands as a new innovation.

As well as new active signature molecules for pearls, the research has identified a wide range of nutraceutical, cosmeceutical, cosmetic, fragrance and therapeutic products from pearl nacre. With product roll out now beginning, we anticipate this R & D project will be cash positive for Atlas in 2013.

9. Market Position

Our aim is to focus on customers that pay a premium for specific products and services. Moreover, we intend taking additional global market share in the high quality 10-15 mm loose pearl market and, through our wholesale jewellery division and extraction innovations, create new markets and customer demand.

Atlas continues to hold a significant global competitive advantage as a low cost, high quality pearl producer in a sector that has contracted significantly in the last decade. Like all industries the transition through a structural change and the benefits from being positioned well in comparison to competitors can take time to be realised.

As a result of farm closures and downsizing we are beginning to see a diminishing in supply of high quality South Sea pearls. We anticipate demand for luxury goods will increase in the medium term and global brands will be attracted to higher quality products with strong provenance credentials.

10. Conclusion

With 20 years' experience in Indonesian waters, Atlas Pearls and Perfumes Ltd continues to enjoy the support of its cornerstone investors, banker and suppliers. Market conditions have gone against the company in recent years but this has created opportunity with Atlas becoming more efficient in both a marketing and production context. Additionally, we have been in a position to ensure barriers to entry for competitors are being constructed. Atlas is well placed to capitalise on future market improvements as the global economy stabilises.

I take this opportunity to thank our key suppliers, shareholders, management and staff for their continued commitment towards making this Company a world class successful aquaculture business. Our team is at your disposal to answer any questions that may arise from this document.

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Yours sincerely

A handwritten signature in black ink, reading "Stephen Birkbeck". The signature is written in a cursive style with a large, looping initial 'S'.

Stephen Birkbeck
Executive Chairman and CEO

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 "nature's most precious gift", the South Sea pearl, specialising in highly sought after white and silver pearls. Atlas operates pearl farms spread across the Indonesian archipelago including Bali, Flores, Alor and Papua. Atlas is a fully integrated pearling business with its own high quality grading and loose pearl distribution business, a jewellery manufacturing capability and sales direct to customers through 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.

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