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Atlas South Sea Pearl delivers strong recovery in earnings

Atlas South Sea Pearl Limited ("Atlas") today announced its results for the year ended 31 December 2010, delivering revenue growth of 42% and a profit of \$2.308 million.

RESULTS SUMMARY

	2010	2009	Change
Revenue (\$ million)	9.8	6.9	+42%
NPAT (\$ million)	2.3	(7.2)	
Gearing (net debt/equity)	13.5%	10.6%	
Net Tangible Assets per Share	\$0.14	\$0.13	

Atlas has recorded revenue of \$9.8 million (up 42% on the previous year). The revenue growth was driven by the strong increase in pearl sales income reflecting improved trading conditions and growth in proceeds from jewellery sales due to an expansion in the number of retail outlets. The volume of pearls sold in 2010 increased by 98% compared to 2009 and the average price achieved grew by 39%, reflecting an improvement in quality of the harvest and price increases achieved from wholesale customers.

The value of total inventory has grown from \$2.8 million to \$6.4 million reflecting a significant improvement in the value of pearl and jewellery inventory for the group. The increase in pearl inventory was driven by the active management of stocks to maximise return and ensure that goods are better matched with customers' needs. The higher jewellery inventory resulted from the expansion of the retail operations base.

The value of oysters (biological assets) in the balance sheet declined slightly from \$14.6 million in 2009 to \$13.8 million. Significantly, there is a 46% increase in the volume of unseeded oysters in stock at the end of 2010 compared to the previous period, which provides for an expanded oyster seeding target in the current and future years.

Overall group net assets increased to \$19.4 million (NTA per share - \$0.14) at the end of 2010, compared to \$16.7 million (NTA per share - \$0.13) in 2009. This predominantly reflects the share placement of \$1.1 million plus the retained earnings for the year. Group gearing remains at a

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conservative 13.4%, and the group retains the ability to increase its level of borrowings by \$1.75 million from undrawn facilities. Atlas intends to use its balance sheet capacity to aggressively pursue production growth of 80 to 100% over the next 5 years. Atlas has considerable flexibility with its funding options and which include debt, retained earnings and additional equity investment.

Atlas Managing Director, Simon Adams, said, "The strong growth in pearl sales income and the return to profitability provide a strong platform for growth over the next five years. We have a robust strategic plan to double our production, which is already being implemented.

"We are expanding our production base of juvenile oysters by refurbishing hatcheries and we intend to establish a third hatchery in the next 12 months to minimise risks of hatchery failure. We have already achieved several hatchery spawning events in the current breeding season which is expected to meet growth target requirements.

"We intend to double the number of oysters that we nucleate, and have employed additional seeding technicians with a focus on quality supervision of our seeding program.

"During 2011 we intend to upgrade and increase our capacity of vessels, sea based farming infrastructure and oyster cleaning equipment.

"We will also increase our land based infrastructure and retailing operations in Indonesia."

In commenting on the outlook for 2011 Mr Adams said, "We have commenced 2011 with positive momentum. We are currently tracking on target with respect to sales and operational targets. Our operational improvements are delivering improved performance in distribution and quality of our pearl grades. Whilst we remain cognisant that we will be subject to the fortunes of the global economy, we are anticipating further improved financial performance for 2011."

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About Atlas

Atlas South Sea Pearl Limited ("Atlas", ASX:ATP) is an Australian based pearling 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 retail partners or via its Bali based retail outlets.