ATLAS SOUTH SEA PEARL LIMITED

(A.B.N. 32 009 220 053)

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

30 JUNE 2012

47-49 Bay View Terrace Claremont, WA 6910 Australia ● PO Box 1048,Claremont , WA 6910, Australia
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ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2012

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity, consisting of Atlas South Sea Pearl Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2012.

The Directors of the Company during the whole of the half-year and up to the date of this report:

Name	**Period of Directorship**
Stephen Paul Birkbeck *Chairman & Chief Executive Officer*	Director since 15 April 2005 Appointed Chairman 21 December 2009 Appointed Chief Executive Officer 16 January 2012
Joseph James Uel Taylor, B.Sc. (Biology), Ph.D. *Non-Executive Director*	Director since 13 September 2000
Simon Charles Bunbury Adams, B.Bus, M.Acc, A.C.I.S *Managing Director*	Appointed Managing Director on 1 September 2010 Resigned 16 January 2012
Geoff Newman, B.Ec (Hons), M.B.A, F.C.P.A , F.A.I.C.D *Independent Non-Executive Director*	Director since 15 October 2010

ACTIVITIES AND REVIEW OF OPERATIONS

The activities of the economic entity are:

1. the management of a pearl farming business in Indonesia, and
2. the operation of a pearl jewellery manufacturing and distribution business.

There has been no significant change in the pearl farming and jewellery distribution activities of the economic entity since the last year-end report.

1. Financial Result

a. Summary of financial results

The Company focused its efforts for the first six months of 2012 on improving liquidity and margin. Cash on Hand has increased by $2,310,046 since 31 December 2011 and Gross Margin % has increased 5% on the 30 June 2011 comparative.

	Half-Year			
	2012 **$**	**2011** **$**	**Change**	**%**
Total revenue from continuing operations	5,356,178	6,243,350	Down	14%
Profit from continuing operations after tax	156,199	1,668,257	Down	91%
Normalised Earnings before interest, taxes, depreciation and amortisation (Normalised EBITDA)*	458,105	853,225	Down	46%

* Normalised EBITDA (unaudited) excludes foreign exchange and Agricultural Asset revaluation movements. Normalised EBITDA is adopted by the group which represents the normal on-going realised earnings of the group.

Reconciliation of Normalised EBITDA to Profit for the Half-Year (Consolidated Statement of Comprehensive Income)

Profit for the Half-Year	**$156,199**
Less: Net Forex gains	($169,014)
Add: Net Interest	$90,647
Add: Depreciation/Amortisation	$107,755
Add: Income tax expense	$54,483
Add: Other taxes	$70,015
Add: Revaluation of Biological Assets and Inventory	$148,020
Normalised EBITDA	**$458,105**

b. Explanation of financial results

The operating result was influenced by the following factors:

i. Revenue –
Income from loose pearl sales for the six months to 30 June 2012 was $4,399,483 (2011 - $5,281,062). The volume of pearls sold in the first six months of 2012 compared to the same period in 2011 decreased by 8%, this decrease in volume comes from the Company's deliberate strategy to sell fewer pearls in order to maximise the price in response to the Eurocrisis.

Income from retail and wholesale sales for the six months to 30 June 2012 was $841,636 (2011 - $566,189). The increase is due in part to a growth in retail outlets from 6 to 7 and the opening of the new wholesale jewellery division.

There is a further $64,318 of other income, which is generated from by-product sales and service supply activities.

ii. Costs –
Cost of sales – The unit cost of pearl production has decreased by 22% for pearls sold in the first half of 2012 compared to the same period in 2011. The gross profit margin on loose pearl sales in 2012 has increased 8% compared the same period in 2011. Gross profit margin on retail sales has increased 3%.

Administration costs – There has been a 5% increase in overall Administration expenses from 2011 to 2012. This is partly as a result of normal inflationary factors and an increase in employee numbers which have increased by 11% since 30 June 2011.

Biological and Agriculture assets – In the six months to 30 June 2012, there was a net loss before tax of $148,021 on the mark to market revaluation of the company's oyster and pearl stocks. The before tax increase in the mark to market valuation of oyster inventory in the first six months of 2012 was $22,762. The before tax decrease in the mark to market valuation of pearl inventory in the first six months of 2012 was $170,783.

c. Net Tangible Assets

The Company's net tangible assets per share were $0.11 as at 30 June 2012, which has decreased by $0.04 when compared to 30 June 2011. The number of shares has increased to 229,171,072 from 140,958,097.

d. Net Cash flow

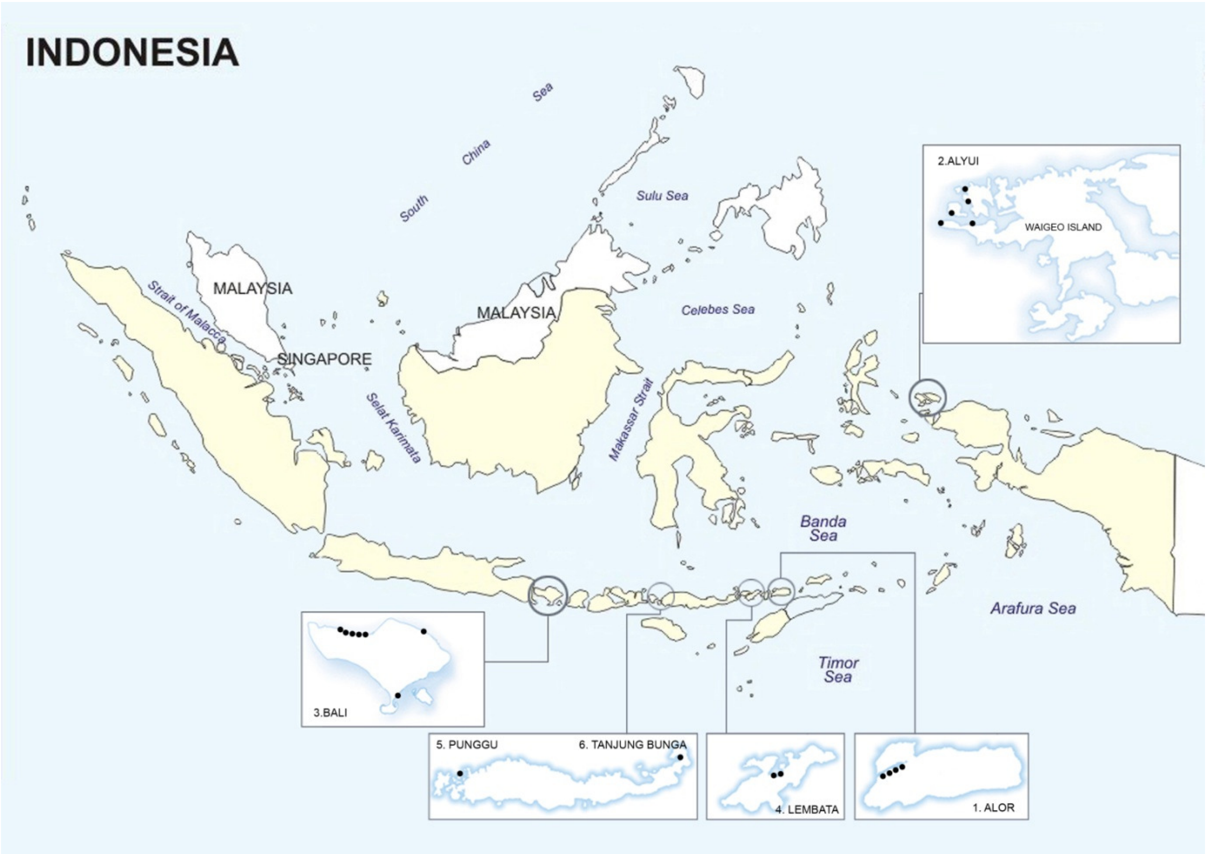
Operating cash outflows for the first six months of 2012 were $1,218,141 (2011 – outflow $170,429), this is partly due to a reduction in Trade and other payables by $632,917. The Company held $2,719,917 in Cash as at 30 June 2012 (31 December 2011 $409,871).

2. Pearling Operations

a. Oyster Production

Spat production during the 2011/12 spawning season remained sufficient for the company's requirements and resulted in some sale of surplus Virgin oysters. This result was achieved from the existing N. Bali hatchery (Gerokgak) and the company's refurbished Alor hatchery. Juvenile oysters from the Alor hatchery are transferred to growout sites in Lembata, Flores.

A third Hatchery is currently being built in Lembata, Flores, this development will further support the aim of higher volume whilst maintaining consistency in the supply of quality spat. Completion of this hatchery is imminent and will be commissioned for the 2012/13 breeding season.



b. Pearl Production

Seeding of virgin oysters was carried out at Penyabangan, N. Bali and Alor. Trial seeding will also be conducted at the Lembata Farm in Flores. Post operation nuclei retention results remain normal. All farm sites from the 2010 acquisition and ground-up development are now consolidated and operating on a routine basis and, results to date has been encouraging.

Atlas continues to focus its pearl production efforts on best farming and seeding practices and harvesting of best quality pearls. In the wake of acquiring farm sites in 2010, Atlas is now in a strong position to duplicate hatchery, grow-out and seeding at our new sites. Focus is now on maintaining quality of pearl production and implementing improvements wherever possible.

2. Pearling Operations (Cont.)

b. Pearl Production (Cont.)

The pearl production assets are geographically spread mitigating production risk. The two hatchery facilities (and soon a third) provide backup in the event of failure at one location. The company continues to successfully and efficiently transfer larvae from one site to another ensuring that spreading our spat numbers and maximising opportunity when a large successful spawning takes place. The existence of multiple farm sites for oyster growth ensures that crowding of oysters does not take place, thus mitigating risk.

The selective breeding program continues to yield strong results in terms of the quantity and quality of juveniles. Research both internal and collaborate with James Cook University in Australia continues. Strict management supervision of seeding practices enhances consistency and quality. With a team of experienced in-house seeding technicians, oysters can be operated according to environmental conditions and oyster health.

c. Wholesale Pearl Sales

In March 2012, the Company broadened its distribution base, which has consequently impacted positively on prices. From around 40 companies in 2011 Atlas is now presenting production to nearer 60 companies, with an increased focus on auction sales in both Japan and Hong Kong.

China is continuing to grow as an exciting market for South Sea Pearls. For this reason the Company recently decided to take a part-lease on an office in the jewellery district of Kowloon, making Atlas more accessible to its customer base. Traditionally Kobe, Japan has been the pre-eminent trading centre for pearls. However in today's market Hong Kong now wears this mantle and is the primary source of supply for European and American pearl wholesalers. Although demand from Europe remains soft there are encouraging signs of renewed activity from the United States.

In addition to expanding its distribution the Company continues to improve its product offering and is producing strands, where greater realisable margins may be achieved, in ever-increasing quantities.

d. Jewellery Retail and Wholesale Operations

The Company operates six retails outlets on the island of Bali and a flagship store at its corporate headquarters in Claremont, Perth. An eighth store is scheduled to open in the tourist area of Sanur, Bali in September 2012. Sales have increased in comparison with the previous year's first six month period by 20% in real dollar terms and reduced by 3% on a same store comparison. With determined management control over costs and by achieving an increase in gross profit % the Retail Division has made an improvement in net gross profit performance.

The new Wholesale Jewellery Division under our Perl'eco branding is showing exciting potential. In Australia we have entered an exclusive arrangement with a buying group representing approximately three hundred retail outlets. These wholesale opportunities not only increase our revenue, but also provide an industry changing opportunity by significantly expanding the customer base for South Sea Pearl Jewellery.

3. Operating Environments

a. Environmental

The Company strives to ensure that we work equitably with local communities, preserve and enhance biodiversity within the local environment and strive to mitigate risks associated with potential environmental changes such as climate and water quality. This is a long standing commitment and an invaluable investment.

The Company continues to promote its environmental awareness campaigns in and around the immediate areas of its farms. The Company has recently improved the recycling program on its farm sites that minimises waste sent to landfill and damage to the surrounding environment.

3. Operating Environments (Cont.)

a. Environmental (Cont.)

The Company believes that the socio-political situation in Indonesia remains stable. Close contact with and support of local villages continues and is seen as a strong part of security and long term security for the business.

b. Personnel

Employee numbers have increased from last year as a result of structural changes and activity growth. As of 30 June 2012, Atlas South Sea Pearl, its Retail subsidiary' Perl'eco Pty Ltd and the Indonesian subsidiary PT Cendana Indopearls employed 668 permanent employees (June 2011: 602).

SIGNIFICANT CHANGES

There have been no significant changes in the state of affairs of the economic entity during the period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Directors

Steve Birkbeck

SP BIRKBECK
Chairman
30 August 2012

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 August 2012

The Board of Directors
Atlas South Sea Pearl Limited
Shop 1, 47-49 Bay View Terrace
CLAREMONT WA 6910

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ATLAS SOUTH SEA PEARL LIMITED

As lead auditor for the review of Atlas South Sea Pearl Limited for the half-year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Atlas South Sea Pearl Limited and the entities it controlled during the period.

C Burton

Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Note	Half-Year 2012	Half-Year 2011
		$	$
Revenue from continuing operations	2	5,356,178	6,243,350
Cost of goods sold		(2,569,453)	(3,269,774)
Gross profit		2,786,725	2,973,576
Other income	2	429,296	3,410,740
Marketing expenses		(97,029)	(339,338)
Administration expenses		(2,139,774)	(2,035,068)
Finance costs		(147,556)	(110,120)
Research & development		(52,497)	(44,398)
Other expenses		(568,484)	(1,128,770)
Profit before income tax expense		**210,681**	**2,726,622**
Income tax (expense)/benefit		(54,482)	(1,058,365)
Profit for the half-year		**156,199**	**1,668,257**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		(311,004)	(34,776)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(loss) for the half-year , net of tax		(311,004)	(34,776)
Total comprehensive income for the half-year		**(154,805)**	**1,633,481**
Profit is attributable to: owners of the Company		**156,199**	**1,668,257**
Total comprehensive income /(loss)for the half-year is attributable to:			
Owners of the Company		**(154,805)**	**1,633,481**
Overall Operations:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	3	0.08	1.21
Diluted earnings per share (cents)	3	0.08	1.20

The above-consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the half-year financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	30/06/12	31/12/11
		$	$
CURRENT ASSETS			
Cash and cash equivalents		2,719,917	409,871
Trade and other receivables		925,478	1,078,409
Derivative financial instruments		103,203	-
Inventories		6,764,024	6,231,292
Biological assets	4	4,608,827	6,771,528
Total Current Assets		15,121,449	14,491,100
NON-CURRENT ASSETS			
Inventories		220,396	264,865
Biological assets	4	13,072,486	10,679,488
Property, plant and equipment	5	4,032,835	4,007,400
Deferred tax assets		1,579,604	1,388,527
Total Non-Current Assets		18,905,320	16,340,280
Total Assets		34,026,769	30,831,380
CURRENT LIABILITIES			
Trade and other payables		1,734,835	2,367,752
Borrowings	6	4,993,669	5,327,089
Derivative financial instruments		-	146,450
Current tax liabilities		129,416	74,417
Short-term provisions		11,714	23,399
Total Current Liabilities		6,869,631	7,939,107
NON-CURRENT LIABILITIES			
Borrowings	6	291,443	393,397
Deferred tax liabilities		2,358,029	2,215,056
Total Non-Current Liabilities		2,649,472	2,608,453
Total Liabilities		9,519,103	10,547,560
Net Assets		24,507,666	20,283,820
Equity			
Contributed equity	10	27,666,203	23,287,552
Reserves		(6,981,841)	(6,670,837)
Retained profits		3,823,304	3,667,105
Total Equity		24,507,666	20,283,820

The above-consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the half-year financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Attributable to owners of Atlas South Sea Pearl Limited				
Consolidated	**Contributed equity**	**Share based payment reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 January 2011	22,512,922	581,028	(7,149,380)	3,073,171	19,017,741
Profit for the half- year	-	-	-	1,668,257	1,668,257
Exchanges differences on translation of foreign operations	-	-	(34,776)	-	(34,776)
Total comprehensive income/(loss) for the half-year	**-**	**-**	(34,776)	1,668,257	1,633,481
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	774,630	-	-	-	774,630
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	774,630	-	-	-	774,630
Balance at 30 June 2011	**23,287,552**	**581,028**	**(7,184,156)**	**4,741,428**	**21,425,852**
Balance at 1 January 2012	23,287,552	581,028	(7,251,866)	3,667,105	20,283,820
Profit for the half- year	-	-	-	156,199	156,199
Exchanges differences on translation of foreign operations	-	-	(311,004)	-	(311,004)
Total comprehensive income/(loss) for the half-year	**-**	**-**	(311,004)	156,199	154,805
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	4,378,651	-	-	-	4,378,651
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	4,378,651	-	-	-	4,378,651
Balance at 30 June 2012	**27,666,203**	**581,028**	**(7,562,870)**	**3,823,304**	**24,507,666**

The above- consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the half-year financial report.

	Note	Half-Year 2012 $	2011 $
Cash flows from operating activities			
Proceeds from pearl jewellery and oyster sales		5,208,992	5,899,521
Proceeds from other operating activities		63,113	388,601
Interest paid		(108,704)	(100,940)
Interest received		24,926	5,520
Payments to suppliers and employees		(6,150,825)	(6,217,443)
Income taxes (paid)/received		(255,643)	(145,688)
Net cash provided by/(used in) operating activities		(1,218,141)	(170,429)
Cash flows from investing activities			
Payments for property, plant and equipment		(446,603)	(791,852)
Proceeds on disposal of fixed assets		-	-
Net cash provided by/(used in) investing activities		(446,603)	(791,852)
Cash flows from financing activities			
Proceeds from borrowings		-	8,767,563
Repayment of borrowings		(305,890)	(8,179,261)
Proceeds from issue of shares		4,286,997	774,630
Net cash provided by/(used in) financing activities		3,981,107	1,362,932
Net increase/(decrease) in cash and cash equivalents		2,316,363	400,651
Cash and cash equivalents at the beginning of the half-year		409,871	998,335
Effects of exchange rate changes on cash and cash equivalents		(6,317)	(990)
Cash and cash equivalents at the end of the half-year		2,719,917	1,397,996

The above-consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the half-year financial report.

1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 30 June 2012 has been prepared in accordance with the *Corporations Act* 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Apart from the changes in accounting policy noted below the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

1.1 Changes in accounting policy

There were no new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2012, which impacted the Group.

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period. There is not expected to be any material impact on the financial report of the consolidated entity of these Standards and Interpretations. In the case of AASB 9 Financial Instruments as the adoption is only mandatory for the 31 December 2015 year-end the entity has not yet made an assessment of the impact of these amendments.

The Group has not elected to early adopt any new standards or amendments.

New Accounting Standards Issued Not Yet Effective

AASB 9 (issued December 2009 and amended December 2010) – Financial Instruments - Periods beginning on or after 1 January 2015

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.
AASB 9 requires that gains or losses on financial liabilities measured at fair value be recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.
Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.

AASB 10 (issued August 2011) - Consolidated Financial Statements - Annual reporting periods commencing on or after 1 January 2013

Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the Group's returns from investee.

Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.

1.1 Changes in accounting policy (Cont.)

AASB 11 (issued August 2011) - Joint Arrangements - Annual reporting periods commencing on or after 1 January 2013

Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

Adoption of AASB 11 is only mandatory for the year ending 31 December 2013. The Group has not yet made an assessment of the impact of these amendments.

AASB 12 (issued August 2011) - Disclosure of Interests in Other Entities - Annual reporting periods commencing on or after 1 January 2013

Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

AASB 13 (issued September 2011) - Fair Value Measurement - Annual reporting periods commencing on or after 1 January 2013

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.

Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements.

Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments

When this standard is adopted for the first time for the year ended 31 December 2014, additional disclosures will be required about fair values.

AASB 119 (reissued September 2011) - Employee Benefits - Annual periods commencing on or after 1 January 2013

Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.

When this standard is first adopted for 31 December 2014 year end, annual leave liabilities will be recalculated on 1 January 2013 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 January 2013, and a corresponding increase in retained earnings at that date.

1.1 Changes in accounting policy (Cont.)

AASB 2011-4 (issued July 2011) - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements - Annual periods commencing on or after 1 July 2013

Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001*

When this standard is first adopted for the year ended 31 December 2014 the Group will show reduced disclosures under Key Management Personnel note to the financial statements

AASB 2011-9 (issued September 2011) - Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income - Annual periods commencing on or after 1 July 2012

Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP.

Various name changes of statements in AASB 101 as follows:

- 1 statement of comprehensive income – to be referred to as ‘statement of profit or loss and other comprehensive income’
- 2 statements – to be referred to as ‘statement of profit or loss’ and ‘statement of comprehensive income’.
- OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.

When this standard is first adopted for the year ended 31 December 2013, there will be no impact on amounts recognised for transactions and balances for 31 December 2013 (and comparatives).

1.2 Segment Information

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of Directors and management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale. Management also considers the business from a geographical perspective and has identified 4 reportable segments. Discrete financial information about each of these operating businesses is reported to the Board of Directors and management team on at least a monthly basis.

The wholesale business is a producer and supplier of pearls within the wholesale market. The retail business is the manufacture and sale of pearl jewellery and related products within the retail market.

1.3 Critical accounting estimates and judgements

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

1.3 Critical accounting estimates and judgements (Cont.)

Key assumptions that have been used to determine the fair market value of the oysters in 2011 and 2012 are as follows:

	Jun-2012	Dec-2011	Jun-2011
Average selling price for pearls*	¥7,604/momme	¥5,711/momme	¥7,900/momme
¥ exchange rate	¥80.79:AUD1.00	¥78.74:AUD1.00	¥86.33:AUD1.00
Average pearl size	0.71 momme	0.68 momme	0.72 momme
Proportion of market grade pearls	51%	51%	60%
Discount rate applied to cash flow	20%	20%	20%
Mortality & rejection rates	Historical comparison	Historical comparison	Historical comparison
Average unseeded oyster value	$2.00	$2.13	$2.07

*Average pearl prices are based on historical averages adjusted for potential market volatility

Biological assets are valued using estimated future yen rates. Biological assets recognised as current assets on the Consolidated Statement of Financial Position represent the estimated value of the pearls to be harvested within the next 12 months. The yen rate used is based on the estimated forward yen rates for the next 18 months from the Commonwealth Bank of Australia.

2 PROFIT FOR THE PERIOD

	Half-Year 2012 $	Half-Year 2011 $
Revenue from continuing operations		
Sales revenue		
Sale of goods	5,305,437	5,862,104
Other revenue		
Interest income	26,909	7,546
Other revenues	23,832	373,700
Total revenue from continuing operations	**5,356,178**	**6,243,350**
Other income		
Change in net market value of agricultural and biological assets		
Change in fair value less point of sale costs of oysters	22,763	2,870,062
Gain arising on initial recognition of harvested pearls	-	-
	22,763	2,870,062
Foreign exchange gains	315,108	333,769
Gain on derivative financial instruments	91,425	206,909
Total other income	**429,296**	**3,410,740**
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Expenses		
Loss arising on initial recognition of harvested pearls	170,783	639,469
Foreign exchange losses	237,518	429,143
Loss on derivative financial instruments	-	253,418

3 EARNINGS PER SHARE

	2012 **cents**	**2011** **cents**
Basic earnings per share	0.08	1.21
Diluted earnings per share	0.08	1.20
Earnings reconciliation		
Net profit used for basic earnings	156,199	1,668,257
After tax effect of dilutive securities	-	-
Diluted earnings	156,199	1,668,257

	No.	**No.**
Weighted average number of ordinary share outstanding during the half-year used for calculation of basic earnings per share	184,293,103	137,431,578
Adjustments for calculation of diluted earnings per share: Employee Share Plan shares	1,900,000	1,900,000
Weighted average number of potential ordinary shares outstanding during the half-year used for calculation of diluted earnings per share	186,193,103	139,331,578

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 30 June as potential ordinary shares which may have a dilutive effect on the profit of the Group.

4 BIOLOGICAL ASSETS

	At 30 June 2012 $	At 31 December 2011 $
Current -		
Oysters	4,608,827	6,771,528
Non-Current -		
Oysters	13,072,486	10,679,488
Total biological assets	17,681,313	17,451,016

The details of the Biological Assets that are held by the economic entity as at half-year end are as follows:

Nature of Biological Assets:- **Oysters (*Pinctada maxima*)**

	No.	No.
Held within the economic entities operations:		
Juvenile oysters which are not nucleated	790,160	1,086,470
Nucleated oysters	756,156	835,046
	1,546,316	1,921,516

The difference in total oyster numbers between 30 June 2012 and 31 December 2011 relate to seasonal effects on the breeding timetable and oyster seeding programme. The full year figure for 2012 is expected to match or exceed that reported for 31 December 2011.

Sensitivity Analysis –
The mark to market estimation of the value of the biological assets (Oysters) is determined using the net present value of expected future net cash flows attributed to this inventory less the estimated point of sale costs. The primary assumptions used for this estimate are shown in Note 1.3. The following table summarises the potential impact of changes of 10% in the key non-production related variables:

	Selling Price (¥/momme)					
	-10% ¥6,844		**No Change ¥7,604**		**+10% ¥8,364**	
Discount rate	**Profit $**	**Equity $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
22%	-2,348,321	-2,348,321	-262,320	-262,320	1,823,681	1,823,681
20%	-2,120,210	-2,120,210	-	-	2,120,210	2,120,210
18%	-1,884,142	-1,884,142	271,497	271,497	2,427,137	2,427,137

	Selling Price (¥/momme)					
	-10% ¥6,844		**No Change ¥7,604**		**+10% ¥8,364**	
FX rate	**Profit $**	**Equity $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
¥88.87	-3,896,497	-3,896,497	-1,973,653	-1,973,653	5,284	5,284
¥80.79	-2,120,210	-2,120,210	-	-	2,120,210	2,120,210
¥72.71	62,480	62,480	2,425,211	2,425,211	4,787,942	4,787,942

5 PROPERTY, PLANT AND EQUIPMENT

	Non – Pearling Assets		Pearling Project		Total
	Plant & equipment	Leasehold improvements	Leasehold land & buildings	Plant & equipment, vessels, vehicles	
At 31 December 2011	**$**	**$**	**$**	**$**	**$**
-at cost	826,166	879,462	1,305,668	5,392,885	8,404,181
-accumulated depreciation	(191,174)	(146,488)	(585,893)	(3,473,226)	(4,396,781)
	634,992	**732,974**	**719,775**	**1,919,659**	**4,007,400**
Half-year ended 30 June 2012					
Carrying amount at beginning of year	634,992	732,974	719,775	1,919,659	4,007,400
Additions	21,070	-	357,891	67,715	446,676
Disposals/ writedowns	(4,652)	15,216	(13,398)	5,205	2,371
Depreciation	(62,379)	(36,600)	(17,588)	(62,553)	(179,120)
Foreign exchange movement	(60)	3,703	(35,224)	(212,911)	(244,492)
	588,971	**715,293**	**1,011,456**	**1,717,115**	**4,032,835**
At 30 June 2012					
-at cost	839,330	894,265	1,595,038	5,288,307	8,616,940
-accumulated depreciation	(250,359)	(178,972)	(583,582)	(3,571,192)	(4,584,105)
	588,971	**715,293**	**1,011,456**	**1,717,115**	**4,032,835**

6 BORROWINGS

	At 30 June 2012	At 31 December 2011
	$	$
CURRENT		
Secured		
Bank loan	4,737,631	4,868,227
Other bank loan	83,333	83,333
Lease liabilities	106,818	106,818
Total secured current borrowings	4,927,782	5,058,378
Unsecured		
Other	65,887	268,711
Total current borrowings	4,993,669	5,327,089
NON CURRENT		
Secured		
Other bank loan	121,909	160,497
Lease liabilities	169,534	232,900
Total secured non current borrowings	291,443	393,397

7 SEGMENT INFORMATION

The segment information provided to the board of Directors for the reportable segments for the half-year ended 30 June 2012 is as follows:

	Wholesale Loose Pearl		Retail Jewellery		Total
	Australia	Indonesia	Australia	Indonesia	
Half-year 2012	$	$	$	$	$
Total segment revenue	4,399,483	3,931,550	256,345	545,997	9,133,375
Inter-segment revenue	-	(3,931,550)	-	-	(3,931,550)
Revenue from external customers	**4,399,483**	**-**	**256,345**	**545,997**	**5,201,825**
Adjusted net operating profit/(loss) before income tax	**(76,444)**	**151,973**	**(100,552)**	**311,258**	**286,235**
Half-year 2011					
Total segment revenue	5,281,062	4,854,604	16,345	563,816	10,715,827
Inter-segment revenue	-	(4,854,604)	(14,375)	-	(4,868,979)
Revenue from external customers	**5,281,062**	**-**	**1,970**	**563,816**	**5,846,848**
Adjusted net operating profit/(loss) before income tax	**485,047**	**493,843**	**1,150**	**245,103**	**1,225,143**
Total segment assets					
30 June 2012	7,748,195	17,417,292	1,382,215	1,855,281	28,402,983
31 December 2011	4,873,735	15,497,863	1,061,443	2,762,845	24,195,886

The board of Directors and management team assesses the performance of the operating segments based on a measure of net operating profit. This measurement basis excludes the effects of foreign exchange losses and gains, both realised and unrealised, impairment expenses on financial assets and the effects of fair value adjustments on biological and agricultural assets.

A reconciliation of adjusted net operating profit to profit before income tax is provided as follows:

	Consolidated	
	2012	2011
	$	$
Adjusted net operating profit/(loss) before income tax	286,235	1,225,143
Intersegment eliminations	(47,952)	(501,165)
Foreign exchange losses	(237,518)	(429,143)
Foreign exchange gains	315,108	540,678
Gains/(loss) on derivative financial instruments	91,425	(253,418)
Interest revenue/(expense)	(90,647)	(87,574)
Other revenue/(expenses)	42,051	1,508
Change in fair value of biological assets	22,762	2,870,062
Change in fair value of pearls	(170,783)	(639,469)
Profit before income tax from continuing operations	**210,681**	**2,726,622**

8 SEGMENT INFORMATION (Cont.)

The amounts provided to the board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements except for excluding fair value adjustments in relation to biological and agricultural assets. These assets are allocated based on the operations of the segment and the physical location of the asset.

9 CONTINGENT ASSETS

The Company's subsidiary, PT Cendana Indopearls, has received a tax assessment in relation to its 2007 year from the Indonesian Tax Authorities (ITA).The ITA has assessed that there is tax payable of $1.427M with penalties of a further $0.565M. The Company has fully paid this assessment as at the reporting date.

The Company has lodged an objection with the ITA against this assessment on the basis that it has complied with transfer pricing protocols which have been historically authorised by the ITA and that this revised assessment is inconsistent with these prior rulings. Atlas South Sea Pearl Ltd has sought an amendment of its 2007 tax return through the filing of a Mutual Application Process (MAP) submission with the Australian Tax Office (ATO) to seek relief from paying tax in both jurisdictions under Double Taxation treaties between Australia and Indonesia.

As at the date of this report, there is uncertainty as to the outcome of the objection and this will not be able to be confirmed until the matter is dealt with by the Indonesian and Australian tax authorities. In the event that this 2007 tax assessment is overturned or there is relief provided by the ATO to Atlas South Sea Pearl Ltd in Australia, part or all of the tax expense above could be reversed in the current or future financial periods.

10 CONTRIBUTED EQUITY

Ordinary Shares

	At 30 June 2012	**At 31 December 2011**
229,171,072 (2011 – 140,958,097) fully paid ordinary shares	27,666,203	23,287,552

	30 June 2012		**31 December 2011**	
	No.	**$**	**No.**	**$**
Number of shares on issue at the beginning of the reporting period	140,958,097	23,287,552	134,458,097	22,512,922
Shares issued during the period	88,212,975	4,378,651	6,500,000	774,630
Share issue costs	-	-	-	-
Number of shares on issue at the end of the reporting period	229,171,072	27,666,203	140,958,097	23,287,552

10 CONTRIBUTED EQUITY (Cont.)

Treasury Shares

	At 30 June 2012	At 31 December 2011
	No.	**No.**
Number of shares on issue at the beginning of the reporting period	1,900,000	1,900,000
Shares issued during the period	-	-
Number of shares on issue at the end of the reporting period	1,900,000	1,900,000

Treasury shares are shares in Atlas South Sea Pearl Limited that are held by the Atlas South Sea Pearl Limited Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee share plan.

11 POST REPORTING DATE EVENTS

The results of significant operation activities are made available to shareholders and other interested parties through announcements to the Australian Stock Exchange. There have been no significant post reporting date events to disclose.

12 SUBSIDIARIES

There have been no changes to subsidiaries during the reporting period.

13 RELATED PARTY TRANSACTIONS

Since the previous financial year end, no Director of the Company has received or has become entitled to receive a benefit (other than the emoluments disclosed in the annual financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related company with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

On the 8th of June 2012, 2,843,755 fully paid ordinary shares were issued to Executive Chairman Stephen Birkbeck as a part placement of the shortfall in shares from the Non-Renounceable Rights Issue. The shares were issued at 5 cents per share. The total value of the shares issued was $151,353.15. 1,833,080 shares with a total value of $100,819.40 were issued to Mr Birkbeck and his related entities in lieu of outstanding debts totalling $91,654 owed to Mr Birkbeck and his related entities for director and consultancy services provided to the Group. These shares were required to be valued at grant date at which point the share price was 5.5 cents per share. 1,010,675 shares with a total value of $50,533.75 were taken up by Mr Birkbeck and were settled in cash.

On the 26th of June 2012 shares were issued to Directors of the Company under the Non-Executive Director Fee Sacrifice Share Plan as approved at the Annual General Meeting on 30th May 2012. Joseph Taylor received 180,000 shares with a fair value of $9,900, Geoff Newman received 648,000 shares with a fair value of $35,640 and Simon Adams received 506,000 shares with a fair value of $27,830.

Total shares issued to directors during the period under the NED Fee Sacrifice Share Plan is 1,334,000 for a fair value of $73,370.

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 7 to 20:

(a) comply with Accounting Standard AASB134 "Interim Financial Reporting" and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date;

In the Directors opinion there are reasonable grounds to believe that Atlas South Sea Pearl Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

SP BIRKBECK
Chairman

Perth, Western Australia
30 August 2012

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ATLAS SOUTH SEA PEARL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atlas South Sea Pearl Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlas South Sea Pearl Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Atlas South Sea Pearl Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlas South Sea Pearl Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

C Burton

Chris Burton
Director

Dated this 30th day of August 2012
Perth, Western Australia

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITES

RESULTS FOR ANOUNCEMENT TO THE MARKET
AS PER APPENDIX 4D
AUSTRALIAN STOCK EXCHANGE LISTING RULES

FOR THE HALF-YEAR ENDED 30 JUNE 2012

1 The reporting period and the previous corresponding period as detailed in this financial statement are 30 June 2012 and 30 June 2011 respectively

		2012	2011	% Change	Up/Down
2	Key Financial Data				
2.1	Revenue [a]	$5,356,178	$6,243,350	14%	Down
2.2	Profit from ordinary activities after tax attributable to members [b][c]	$156,199	$1,668,257	91%	Down
2.3	Net profit attributable to members [b][c]	$156,199	$1,668,257	91%	Down
2.4	Dividends [d]				

	2012	2011
Interim dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Final Dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Record Date	-	-

Explanation of 2.1 to 2.4

a) Income from pearl sales for the six months to 30 June 2012 was $4,399,483 (2011 - $5,281,062). The volume of pearls sold in the first six months of 2012 compared to the same period in 2011 has decreased by 8% and unit value has decreased by 9%. This decrease in volume and value comes from weaker market conditions.

b) Net profit after tax has decreased partly due to a write-down in the net fair value adjustment of biological assets and inventory recognised in the income statement in the first six months of 2012 of $154,045 compared to an increase in the same period in 2011 when there was a fair value increase of $1,546,100.

c) The unit cost of pearl production has decreased by 22% for pearls sold first half of 2012 compared to the same period in 2011. The gross profit margin on loose pearl sales in 2012 has increased 8% compared the same period in 2011.

d) No interim dividend for 2012 has been declared in the period.

RESULTS FOR ANOUNCEMENT TO THE MARKET
AS PER APPENDIX 4D
AUSTRALIAN STOCK EXCHANGE LISTING RULES

FOR THE HALF-YEAR ENDED 30 JUNE 2012

3 Net Tangible Assets

	Consolidated	
	2012	**2011**
Net tangible assets	$25,182,888	$21,256,799
Ordinary Shares	229,171,072	140,958,097
Net tangible assets per ordinary share	$0.11	$0.15

4 Change in control of entities

There have been no changes to subsidiaries during the reporting period.