ATLAS SOUTH SEA PEARL LIMITED
ABN 32 009 220 053

Appendix 4E – Preliminary Final Report
For the Year Ended 31 December 2011

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Results for announcement to the market

Consolidated Financial Results		**Compared to actual for previous year ended 31 December 2010**	**Year Ended 31 December 2011**
Total revenue from ordinary activities	Up	25%	12,350,171
Profit / (loss) from ordinary activities after tax attributable to members	Down	77%	544,758
Net Profit/(loss) attributable to members	Down	77%	544,758
Dividends	**Amount per security**		**Franked Amount per security**
Dividend per ordinary share in respect of 31 December 2011 financial year	**0.0 cents**		**0.0 cents**

Brief Explanation

Refer to the section headed "**Commentary on the Results**" for a brief explanation of the results.

Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	CONSOLIDATED 2011 $	CONSOLIDATED 2010 (Restated) $
Revenue from continuing operations	2	12,350,171	9,841,695
Cost of goods sold		(5,665,016)	(5,138,833)
Gross profit		6,685,155	4,702,862
Other income	2	3,955,033	4,218,594
Marketing expenses		(840,809)	(622,797)
Administration expenses	3	(4,875,300)	(3,195,395)
Finance costs	3	(264,907)	(191,971)
Research and development		(106,473)	(55,280)
Other expenses	3	(3,454,668)	(2,053,947)
Profit/(Loss) before income tax		**1,098,031**	**2,802,066**
Income tax (expense)/benefit		(553,273)	(414,901)
Profit/(Loss) for the year from continuing operations		**544,758**	**2,387,165**
Other comprehensive income/(expenses)			
Exchange differences on translation of foreign operations		(102,251)	(892,873)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(expenses) for the year, net of tax		**(102,251)**	**(892,873)**
Total comprehensive income/(expenses) for the year		**442,507**	**1,494,292**
Profit/(loss) is attributable to:			
Owners of the Company		**544,758**	**2,387,165**
Total comprehensive income/(expenses) is attributable to:			
Owners of the Company		**442,507**	**1,494,292**
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	0.39	1.91
Diluted earnings per share **(cents)**	4	0.39	1.88

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2011

	Note	2011 $	CONSOLIDATED 2010 (Restated) $	1 January 2010 $
Current assets				
Cash and cash equivalents		409,871	998,335	2,508,711
Trade and other receivables		1,078,409	1,239,095	1,342,729
Derivative financial instruments	5	-	240,053	12,468
Inventories	6	6,231,292	6,375,746	2,675,646
Biological assets	7	6,771,528	5,305,465	8,800,587
Total current assets		14,491,100	14,158,694	15,340,141
Non-current assets				
Inventories	6	264,865	83,415	103,913
Biological assets	7	10,679,488	8,476,047	5,816,129
Property, plant and equipment		4,007,400	2,217,156	2,195,780
Deferred tax assets		1,310,265	1,313,782	943,931
Total non-current assets		16,262,018	12,090,400	9,059,753
Total assets		30,753,118	26,249,094	24,399,894
Current liabilities				
Trade and other payables		2,367,753	1,743,239	1,440,904
Borrowings	8	5,327,089	3,596,120	4,271,994
Derivative financial instruments	5	146,450	-	-
Current tax liabilities		155,611	42,446	680,895
Short-term provisions		23,399	49,057	468,035
Total current liabilities		8,020,302	5,430,862	6,861,828
Non-current liabilities				
Trade and other payables		-	-	24,679
Borrowings	8	393,397	-	-
Deferred tax liabilities		2,104,543	1,800,493	1,187,607
Long term provisions		-	-	15,281
Total non-current liabilities		2,497,940	1,800,493	1,227,567
Total liabilities		10,518,242	7,231,355	8,089,395
Net assets		20,234,876	19,017,739	16,310,499
Equity				
Contributed equity	9	23,287,552	22,512,922	21,304,245
Reserves	10	(6,670,603)	(6,568,352)	(5,679,750)
Retained profits		3,617,927	3,073,169	686,004
Total equity		20,234,876	19,017,739	16,310,499

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2011

Consolidated	**Attributable to owners of Atlas South Sea Pearl Limited**			
	Contributed equity $	**Reserves $**	**Retained earnings $**	**Total equity $**
Balance at 1 January 2010	22,073,494	(6,190,488)	795,398	16,678,404
Adjustment on correction of error	(769,249)	510,738	(109,394)	(367,905)
Adjusted balance at 1 January 2010	21,304,245	(5,679,750)	686,004	16,310,499
Profit for the year	-	-	2,387,165	2,387,165
Exchange differences on translation of foreign operations	-	(892,873)	-	(892,873)
Total comprehensive income for the year	-	(892,873)	2,387,165	1,494,292
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	1,208,677	-	-	1,208,677
Dividends provided for or paid	-	-	-	-
Employee share scheme	-	4,271	-	4,271
	1,208,677	4,271	-	1,212,948
Balance at 31 December 2010	**22,512,922**	**(6,568,352)**	**3,073,169**	**19,017,739**
Balance at 1 January 2011	**22,512,922**	**(6,568,352)**	**3,073,169**	**19,017,739**
Profit for the year	**-**	-	544,758	544,758
Exchange differences on translation of foreign operations	**-**	(102,251)	-	(102,251)
Total comprehensive income for the year	**-**	(102,251)	544,758	442,507
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 31 December 2011	**23,287,552**	**(6,670,603)**	**3,617,927**	**20,234,876**

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

Statement of Cashflows

For the year ended 31 December 2011

	Consolidated 2011 $	2010 $
Cash flows from operating activities		
Proceeds from sales	11,934,837	9,219,224
Proceeds from other operating activities	376,076	639,244
Interest paid	(229,445)	(158,706)
Interest received	16,758	39,004
Payments to suppliers and employees	(12,921,713)	(9,233,196)
Income taxes paid	(53,135)	(1,239,650)
Net cash provided by/(used in) operating activities	(876,622)	(734,080)
Cash flows from investing activities		
Acquisition of pearling operations	-	(576,885)
Payments for property, plant and equipment	(2,325,302)	(587,284)
Proceeds on disposal of fixed assets	-	-
Net cash provided by/(used in) investing activities	(2,325,302)	(1,164,169)
Cash flows from financing activities		
Proceeds from borrowings	2,395,851	671,939
Repayment of borrowings	(555,257)	(1,393,160)
Proceeds from issue of shares	774,630	1,138,677
Dividend payment	-	-
Net cash provided by/(used in) financing activities	2,615,224	417,456
Net increase/(decrease) in cash held	(586,700)	(1,480,793)
Cash and cash equivalents at the beginning of the financial year	998,335	2,508,711
Effects of exchange rate changes on cash and cash equivalents	(1,764)	(29,583)
Cash and cash equivalents at the end of the financial year	409,871	998,335

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 South Sea Pearl Ltd and its controlled entities. Atlas South Sea Pearl Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Atlas South Sea Pearl 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 are measured at their fair value less estimated point of sale costs. The fair value of oysters is determined by using the present value of expected net cash flows from the oysters, discounted using a pre-tax market determined rate.

Changes in fair value less estimated point of sale costs of oysters are recognised in the income statement in the year they arise.

Pearls are initially measured at their fair value less estimated point of sale costs at the time of harvest. 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 income statement in the year of harvest. At the time of harvest, pearls are recorded as inventory.

d) Other accounting policies

A full description of other accounting policies was included in the financial report for the half year ended 30 June 2011 and will also be included in the 31 December 2011 annual report.

Notes to the Financial Statements (continued)

2. Revenue

	Consolidated 2011 $	Consolidated 2010 $
Sales Revenue		
Sale of goods	12,186,151	9,654,754
Other Revenue		
Interest income	16,753	38,383
Other revenues	147,267	148,558
Revenue	**12,350,171**	**9,841,695**
Change in net market value of biological assets		
Change in fair value less point of sale costs of oysters	2,825,138	331,297
Gain arising on initial recognition of harvested pearls	-	2,387,567
	2,825,138	2,718,864
Other Income		
Foreign exchange gains	907,238	1,160,827
Gain on financial instruments	222,657	287,853
Gain on bargain purchase of pearling operation	-	51,050
Other Income	**3,955,033**	**4,218,594**

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

	2011	2010
Finance Costs		
Interest and finance charges payable	264,907	191,971
	264,907	191,971
Administration expenses from ordinary activities		
Salaries & Wages	2,134,926	1,770,395
Depreciation property, plant and equipment	121,309	53,849
Loss on financial instruments	632,692	87,665
Other	1,986,373	1,283,486
	4,875,300	3,195,395

Notes to the Financial Statements (continued)

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

	Consolidated	
	2011	**2010**
	$	**$**
Other expenses from ordinary activities		
Provision for employee entitlements	31,688	57,006
Foreign exchange loss	1,415,924	1,772,854
Loss arising on initial recognition of harvested pearls	1,862,684	-
Impairment of other assets - inventories	144,372	224,087
	3,454,668	2,053,947

4. Earnings per Share

	Consolidated	
	2011	**2010**
	CENTS	**CENTS**
Basic earnings per share (cents per share)	0.39	1.91
Diluted earnings per share (cents per share)	0.39	1.88

	Consolidated	
	2011	**2010**
Earnings reconciliation	**$**	**$**
Net profit/(loss) used for basic earnings	544,758	2,387,165
After tax effect of dilutive securities	-	-
Diluted earnings	544,758	2,387,165

	No.	**No.**
Weighted average number of ordinary share outstanding during the year used for calculation of basic earnings per share	139,209,330	124,825,152
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 year used for calculation of diluted earnings per share	141,109,330	126,725,152

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 31 December as potential ordinary shares which may have a dilutive effect on the profit of the Group.

Notes to the Financial Statements (continued)

5. Financial Instruments

	Consolidated	
	2011	**2010**
Derivative financial assets	-	240,053
Derivative financial liabilities	146,450	-

Derivative financial assets and liabilities comprise forward foreign exchange contracts and foreign currency options which are in place as cash flow hedges. Gains and losses arising from changes in fair value of foreign exchange contracts are recognised in the income statement in the period in which they arise. These financial instruments are classed as held for trading.

6. Inventories

	Consolidated	
	2011	**2010**
CURRENT		
Pearls –at fair value	3,214,124	4,396,666
Other – at cost	3,017,168	1,979,080
	6,231,292	6,375,746
NON CURRENT		
Nuclei – at cost	264,865	83,415
TOTAL INVENTORY	6,496,157	6,459,161

7. Biological assets

CURRENT		
Oysters – at fair value	6,771,528	5,305,465
	6,771,528	5,305,465
NON CURRENT		
Oysters – at fair value	10,679,488	8,476,047
	10,679,488	8,476,047
TOTAL BIOLOGICAL ASSETS	17,451,016	13,781,512

Notes to the Financial Statements (continued)

8. Borrowings

	Consolidated 2011 $	Consolidated 2010 $
CURRENT		
Secured		
Bank loan	4,868,227	3,465,814
Other bank loan	83,333	-
Lease liabilities	106,818	24,091
Total secured current borrowings	5,058,378	3,489,905
Unsecured		
Other	268,711	106,215
Total current borrowings	5,327,089	3,596,120
NON-CURRENT		
Secured		
Other bank loan	160,497	-
Lease liabilities	232,900	-
Total secured non -current borrowings	393,397	-

The Bank loan is provided by Commonwealth Bank of Australia Ltd and is secured by a registered company charge over the whole of the assets and undertakings including uncalled capital of Atlas South Sea Pearl Ltd and its related entities. The bank loans are provided under a Japanese Yen facility with fixed interest rates varying from 3.8% to 3.9% and are repayable within one year. As at the reporting date, the Company had drawn down $4,868,227 (2010: $3,465,814) and had an undrawn amount of $131,773 (2010: $1,534,186).

The Other bank loan (secured) is also provided by Commonwealth Bank of Australia Ltd and is secured by the same charge over the whole of the assets and undertakings of Atlas South Sea Pearl Ltd and its related entities as above. These loans are provided under an Australian Dollar denominated business loan which had a variable interest rate of 8.77%. The loan has a term of three years expiring on 24 November 2014 and is repayable in equal monthly amounts over the term of the loan. As at the reporting date, the amount outstanding on this loan was $243,830.

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 balance date was $339,718 (2010: $24,091).

9. Contributed Equity

	Consolidated 2011 $	Consolidated 2010 $
Fully paid Ordinary Shares	23,287,552	22,512,922

Reconciliation of Contributed Equity 2011	**No.**	**$**
Ordinary Shares :		
At the beginning of the financial year	134,458,097	22,512,922
Shares issued	6,500,000	774,630
At the end of the financial year	140,958,097	23,287,552

Notes to the Financial Statements (continued)

9. Contributed Equity (Cont)

Reconciliation of Contributed Equity 2010

	No.	$
Ordinary Shares :		
At the beginning of the financial year	123,058,027	21,304,245
Shares issued	11,400,000	1,208,677
At the end of the financial year	134,458,097	22,512,922

Treasury Shares	**2011 No.**	**2010 No.**
At the beginning of the financial year	1,900,000	1,900,000
Shares issued	-	-
At the end of the financial year	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.

10. Reserves

	Consolidated	
	2011	**2010**
	$	**$**
Foreign currency translation reserve	(7,251,632)	(7,149,381)
Employee share reserve	581,029	581,029
	(6,670,603)	(6,568,352)

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	
	2011	**2010**
	$	**$**
Balance at beginning of the year	3,073,169	686,004
Net profit/(loss) for the year	544,758	2,387,165
Dividends paid	-	-
Balance at end of year	3,617,927	3,073,169

12. 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. This objection has been heard but a ruling has not been handed down by the Indonesian Tax Court (ITC) in Indonesia as at the date of this report. Atlas South Sea Pearl Ltd has also sought an amendment of its 2007 tax return through the filing of a

Notes to the Financial Statements (continued)

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. In the event that this 2007 ITA tax assessment is overturned by the ITC 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.

13. Correction of Error

Correction of error in accounting for share based payments
During the financial year it was discovered that the accounting for the share based payments to employees had been misinterpreted. As a consequence, the transactions of shares issued under the employee share plan had been incorrectly accounted for.

The establishment of a loan receivable for the associated limited-recourse loans and an increase in issued capital was incorrect. These loans were subsequently impaired to the extent that the carrying value of the loan in relation to shares not taken up exceeded the market value of those shares. The amount relating to the difference between the market price of the shares and the issue price to employees was recognised as an issue of shares in equity at issue price and the fair value portion in reserves. A corresponding amount for the fair value was shown as part of employee costs in the period in which the shares vest. Any dividends paid in respect to shares not taken up by employees under the Employee Share Plan were offset against the loans receivable.

The correct accounting treatment should have been to account for the grants to employees as options under AASB 2 Share-Based Payments . The loans receivable did not meet the definition of an asset and should be derecognised. In addition the shares should be treated as treasury shares.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	31-Dec-2010	**Increase/ (decrease)**	**31-Dec-2010 (restated)**	**31-Dec-2009**	**Increase/ (decrease)**	**31-Dec-2009 (restated)**
	$	**$**	**$**	**$**	$	**$**
Balance sheet (extract)						
Trade and other receivables	1,412,793	(173,698)	1,239,095	1,613,920	(271,191)	1,342,729
Deferred tax assets	1,430,258	(116,476)	1,313,782	1,040,645	(96,714)	943,931
Net assets	**19,307,913**	**(290,174)**	**19,017,739**	**16,678,404**	**(367,905)**	**16,310,499**
Contributed equity	23,234,922	(722,000)	22,512,922	22,073,494	(769,249)	21,304,245
Reserves	(7,082,381)	514,029	(6,568,352)	(6,190,488)	510,738	(5,679,750)
Retained profits	3,155,372	(82,203)	3,073,169	795,398	(109,394)	686,004
Total equity	**19,307,913**	**(290,174)**	**19,017,739**	**16,678,404**	**(367,905)**	**16,310,499**

Notes to the Financial Statements (continued)

13 CORRECTION OF ERROR (Cont.)

Income statement (extract)	31 December 2010 $	Profit Increase/ (Decrease) $	31 December 2010 (Restated) $
Administration expenses	(3,176,472)	(18,923)	(3,195,395)
Other expenses	(2,119,823)	65,876	(2,053,947)
Profit before income tax expense	**2,755,113**	**46,953**	**2,802,066**
Income tax expense	(395,139)	(19,762)	(414,901)
Profit for the half year	**2,359,974**	**27,191**	**2,387,165**
Profit is attributable to:owners of the company	**2,359,974**	**27,191**	**2,387,165**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was an increase of 0.05 cents per share for basic earnings per share and dilutive earnings per share was 1.88 cents per share, previously having no dilutive earnings per share.

Commentary on the Results

1. Summary of Financial Results

	2011	2010	Change	%
	$'million	$'million		
Total Revenue from Continuing operations	12.350	9.842	Increase	25%
Profit/(Loss) from continuing operations	0.545	2.387	Decrease	-77%
Normalised EBITDA	1.538	0.897	Increase	71%
Net asset value	20.235	19.018	Increase	6%
Gearing (net debt : equity)	24%	14%	Increase	10%

2. Year in Perspective

2011 started with promising revenue growth during the first half of the year, however sales for Q4 were below budget as a result of global financial uncertainty. There were some encouraging indicators in terms of revenue improvement such as an increase in the average sales price, despite the weaker than expected fourth quarter results. Operational results continued to improve with KPI's such as quantity of oysters seeded, seeding retention and post-operation survival rates all higher than the previous year.

Despite a low end of year cash position in 2011 there was an overall increase in net assets.

- **Revenue**
  Revenue increased by 23% in 2011 to $12.315M. Pearl weight in 2011 was 20% higher than in 2010 and the average unit price increased by 22%. Expanding the number of retail outlets to six in Bali, and opening the Company's flagship store in Claremont, Western Australia in October 2011 helped raise retail revenue by 35%. Notwithstanding this, there was an encouraging year on year increase in retail sales at all existing outlets.

	2011	2010
Loose Pearl Sales	$10,516,185	$8,571,306
Retail Jewellery Sales	$ 1,308,355	$ 960,096
By-product Sales	$ 361,611	$ 123,352
	$12,186,151	$9,654,754
Interest	$ 16,753	$ 38,383
Other Operating Revenue	$ 147,267	$ 148,558
	$12,350,171	$9,841,695

- **Operating expenses**
  Gross profit margins have improved from the previous financial period for both loose pearl and retail sales. Marketing expenses have increased as a result of a larger retailing operation and an allocation of resources to brand development. An increase in occupancy costs and overall expenses resulting from new and upgraded premises and subsequent employment of additional personnel and consultant services.

- **Taxation**
  The Australian and Indonesian taxation authorities are yet to hand down a decision in relation to the status of the double tax that the company was required to pay for the 2007 tax year assessment. The company is actively pursuing an outcome for this through various unilateral and bilateral processes. This matter has progressed through the Indonesian courts and a decision is pending.

- **Inventories**
  Inventories of loose pearl and jewellery stock has remained relatively consistent over the 2011 financial period. Loose pearls in stock at the end of the financial period have been presented for sale in January and February. Jewellery stock has not increased significantly and efforts have been made to maximise stock turnover to improve return on capital investment.

- **Biological Assets (Oysters)**
  The overall quantity of oysters has increased from 1,740,000 in 2010 to 1,920,000 in 2011. Due to potential market uncertainty in 2012 compared with 2011, Atlas has taken the precaution of revising theforward pearl price down against the market value of the oysters. The proportion of sellable grade pearls as a percentage of the overall harvest has also been revised downwards to reflect new grading measures carried out by the marketing division (changed from previous contractor to in-house processing) as well as a reflection of lower quality pearls that were produced in 2011 resulting from poor oyster management in 2009.

- **Equity**
  A share placement was undertaken in the first half of 2011 which raised capital of $0.78M.

3. Production activities

The company achieved an oyster seeding target of 619,000 in 2011 (2010 - 465,000). Seeding of virgin oysters was undertaken at the N. Bali and Nusa Tengara Timor (Alor) sites.

Juvenile oyster production results in the 2010/11 hatchery season saw most of the production at the end of this period. Virgin oyster numbers remain strong for 2012 seeding and the 2011/12 hatchery season started very strongly.

Atlas reported the loss of 32,000 seeded oysters in a transportation that was made in November 2011. This was the first and only mortality event from transportation of this magnitude that the company has experienced and as such it is not expected to be an ongoing risk to the company. The cause of this event was not identified but exhaustive tests and subsequent transportation runs have not resulted in a reoccurrence and so it is believed that this was a one-off event. Management believe that the most likely cause was that an isolated toxic substance or algae bloom was encountered during the trip.

The company continued to develop the Flores/Alor farm sites that were purchased in 2010. Infrastructure has been upgraded and sites are now undergoing specialisation to improve efficiency. A test harvest of pearls growing at the new farm lease of Punggu Island (in the west end of Flores) was very encouraging. The first commercial harvest from this location is due in 2012.

4. Marketing

During 2011, Atlas continued marketing and distribution of loose pearls. A range of large and small wholesale pearl customers purchased a wide range of product from the company. Valuable market intelligence was gained through the year as new customers from a wider geographic range purchased Atlas pearls. Improved grading and pearl presentation helped increase the selling price in 2011.

Retail sales improved significantly in 2011. This was due partly to the increased number of stores in Bali where a sixth retail outlet was opened in May 2011. All stores recorded an increase in turnover from the prior year.

During 2011, the Perl’eco brand was developed and is being used as the retail brand in the Perth outlet. The values of this brand will focus on the wide range of contemporary jewellery designs, Atlas CSR credentials and scientific approach to farming are seen as strong points of difference in the marketing effort.

Other Information

Net tangible assets backing per share

	Consolidated	
	2011	**2010 (Restated)**
	$	**$**
Net assets	20,234,876	19,017,739
Less intangible assets	-	-
Net tangible assets	20,234,876	19,017,739
Number of shares outstanding	140,958,097	134,458,097
Net tangible assets per share	$0.14	$0.14

Acquired or Disposed Controlled entities

There were no acquisitions or disposals of controlled entities during the financial year ended 31 December 2011.

Associates and Joint Ventures

There are no associates or joint venture entities that the company is associated or related to.

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 South Sea Pearl Limited Annual Report for 31 December 2011.

Atlas South Sea Pearl Ltd
Declaration of Directors

The Directors of the Company declare that:

(a) the Appendix 4E comprising the statement of 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 31 December 2011 and the performance for the year 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 year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

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

  (iii) the Appendix 4E and notes for the financial year 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

/s/ S. Birkbeck
Steve Birkbeck
Chairman

27/2/12