ATLAS PEARLS AND PERFUMES LTD
A.B.N. 32 009 220 053

ANNUAL REPORT
2013

CORPORATE DIRECTORY

DIRECTORS

Stephen Paul **BIRKBECK**

Joseph James Uel **TAYLOR**
B.Sc. (Biology), Ph.D.

Geoff **NEWMAN**
B.Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D.

Timothy James **MARTIN**
B.Arts, M.B.A, G.A.I.C.D.
Appointed 4 February 2013

COMPANY SECRETARIES

Susan **HUNTER**
B.Com, ACA, F Fin, G.A.I.C.D, A.C.I.S, A.C.S.A.

Stephen **GLEESON**
B.BUS, CPA

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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

TAX ADVISERS

BDO Tax (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

BANKERS

Commonwealth Bank of Australia
150 St Georges Terrace
Perth
Western Australia 6000

SHARE REGISTRY

Computershare (WA) Pty Ltd
Level 2,
45 St George's Terrace
Perth
Western Australia 6000

HOME EXCHANGE

Australian Securities Exchange LTD
Exchange Plaza
2 The Esplanade
Perth
Western Australia 6000

ASX Trading Code: ATP

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CHAIRMAN'S REPORT

Dear Shareholder

This report is in essence a one off 6 month commentary that provides for all further annual financial reporting to be in line with the Australian financial year. Our strategic plan in relation to pearl selling events meant a relatively modest revenue over the period which is reflected in the results; however, this strategy has been vindicated by strong sales in July 2013 with the best average price on pearls achieved since 2007.

The period of January through to June 30, 2013 has been one of further consolidating our pearling efforts. Our new technical hub in Lembata (Flores) is running at full commercial capacity and is balancing the production effort of Bali. This provides great opportunity to further enhance the pearl oyster selection process and improve our return on pearling investment. At the same time our pearl farms in Alyui (West Papua), Alor (Nusa Tenggara Timur) and Punggu (Flores) have rationalised our overall stock position resulting in clear cost savings for the group. Alyui in particular has had major cost reductions as it now focuses on a more defined pearling effort with a lower staff base. Surplus equipment from Alyui has been relocated to Alor, Punggu and elsewhere at minimal cost easing the expansion burden at the newer locations. The benefits from this have been realised in several high quality harvests from all three sites. An added benefit is risk mitigation and some new quality attributes being seen at each site. In short, the pearling business blue print identified three years ago has been brought to full commercial reality.

Meanwhile, our new perfume and cosmetic division has completed some major R & D milestones and is now in the process of commercialising new products and market strategies. Several unique formulations that use Essential Oil of Tasmania's new perfume extraction systems have resulted in a range of potential end products such as skin care and perfume. These products are about to be trialled in the USA and Europe to determine the best distribution and communication methods that can highlight the unique properties of pure powdered pearl and the extracts (e.g. proteins and fragrance) obtained from this powder.

In addition to pearl extracts Essential Oils of Tasmania is going through the same detailed evaluation and strategic analysis for a range of new fragrance ingredients to complement their existing business that our pearling venture has undertaken. Over the course of 2013/14 Atlas will support EOT to commission new technologies and will use this period to commercialise existing product concepts and using consumer feedback, define long term crop priorities. At the same time, World Senses has been working with large international brands to secure contracts which will see EOT products enter an integrated selling stream.

To ensure our capacity in marketing and sales, several key appointments have been made following an exhaustive search for individuals with the experience, energy and enthusiasm to grow our integrated venture. We are proud to announce the appointments of;

Pierre Fallourd, a pearl jewellery specialist; and

Lisa Lods, a chemical engineer with a technical sales history in cosmetic raw materials.

These new roles will start in earnest over the next couple of months.

Summary of Results

	6 Months Ended 30 June 13 $'000	**12 Months Ended 31 Dec 12 $'000**	**12 Months Ended 31 Dec 11 $'000**	**12 Months Ended 31 Dec 10 $'000**
Revenue from continuing operation	3,505	12,305	12,350	9,842
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	(1,250)	1,345	1,555	943
EBITDA margin	(35.7%)	10.9%	12.6%	9.6%
Depreciation & amortisation	(136)	(216)	(121)	(54)

Summary of Results Cont.

	6 Months Ended 30 June 13 $'000	12 Months Ended 31 Dec 12 $'000	12 Months Ended 31 Dec 11 $'000	12 Months Ended 31 Dec 10 $'000
Foreign exchange gains/(losses)	1,091	1,137	(919)	(412)
Revaluation and write-off of Agriculture Assets (oysters, pearls and crops)	(2,908)	(3,147)	962	2,719
Other non-operating costs	(242)	(130)	(115)	(202)
Earnings/(loss) before interest and tax (EBIT)	(3,445)	(1,011)	1,362	2,994
EBIT margin	(98.3%)	(8.2%)	10.9%	30.4%
Finance/interest net costs	(222)	650	(264)	(192)
Income tax benefit/(expense)	1,472	1,767	(504)	(412)
Net profit after tax (NPAT)	(2,195)	1,406	594	2,387
Basic earnings/(loss) per share (cents)	(0.81)	0.68	0.43	1.91
Assets	35,676	33,602	30,831	26,593
Debt (Current & Non-current)	5,274	4,936	5,720	3,596
Shareholder funds	25,797	24,217	20,284	19,307
Debt/shareholder funds (%)	20%	20%	28%	19%
Number of shares on issue (million)	287.04	237.14	142.86	136.36

Fiscal Results in 2013

1. Closed the period with $2.54M in liquidity (cash and headroom in bank facility access).
2. EBITDA of ($1.25M). Holding back the harvest and auction of the majority of 2013 production to the second half of the 2013 calendar year has had a negative impact on Normalised EBITDA for the six months to 30 June 2013 but will have reverse effect on the Normalised EBITDA for 2013/14.
3. New sales of essential oils of $503,076 were realised as a result of the acquisition of Essential Oils of Tasmania in January 2013.
4. Gross Profit percentage overall increased to 60% for the first six months of 2013 from 56% in 2012 as loose pearl prices rose due to the reduced supply of white south sea pearls as a result of lower global production.

Value Added Sales From Wholesale, Retail Sales and Direct Marketing Calendar Year

	6 Months Ended 30 June 2013	12 Months Ended 31 Dec 2012	12 Months Ended 31 Dec 2011
	$	**$**	**$**
Wholesale	**$0.43M**	$0.70M	Nil
Retail	**$0.49M**	$1.47M	$1.21M
Essential Oils	**$0.50M**	nil	Nil
Total Value Added	**$1.42M**	$2.17M	$1.21M

Value adding is a priority for Atlas to de-risk this business from future commodity price swings for pearls. Value adding sales for the 12 months ended 31 December 2011 were $1.21M and lifted to $2.17M during the 12 months ended 31 December 2012. Value added sales have increased further during the 6 months ended 30 June 2013 to $1.42M. As the growing revenues demonstrate we have successfully built alternate higher value sales methods and aim to continue to create increased demand for value added pearls and perfumes that can be sold into uncontested niche luxury-market segments: perfumes to jewellers and pearls to perfumeries.

Conclusion

The Atlas Company has had to with stand the most sustained economic challenges in its history due to the prolonged impact of the GFC on the luxury pearl sector. In spite of revenue falling to $ 6.9 million during the year ended 31 December 2009 and a general tightening of credit and investment in the last 4 years, Atlas has maintained key growth objectives and quality improvements in pearl farming. In addition to opening new farms, seeding sites and hatcheries, Atlas has proven the economic value of its pearl by-products and completed the brand build of its consumer products.

We are currently working on increasing the productive capacity of EOT and through the production and processing of a range of pearl and perfume raw materials have started to scope new revenue lines for Atlas and EOT.

The Atlas Board have asked in the past for your patience. We are now commercialising key aspects of the last four years and believe that the 2013/14 year will see growth of revenue and profits.

Stephen Birkbeck, Chairman

25th September 2013

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Atlas Pearls and Perfumes Ltd (formerly Atlas South Sea Pearl Limited) and the entities it controlled at the end of, or during, the period ended 30 June 2013.

1. DIRECTORS

The following persons were directors of Atlas Pearls and Perfumes Ltd during all or part of the financial period and up to the date of this report except where stated:

STEPHEN PAUL BIRKBECK (Age – 53)
EXECUTIVE CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER (Remuneration Committee)

Mr Birkbeck was the founder and former CEO of Mt Romance, an Australian company that has become one of the largest producers of sandalwood oil in the world. Mr Birkbeck has extensive marketing expertise, especially in the luxury goods markets. He has been presented with a number of excellence awards in relation to the success of Mt Romance and brings this extensive business development skill to the Board.

Appointed Chief Executive Officer 16 January 2012
Appointed Director on 15 April 2005
Appointed Chairman of the board on 21 December 2009
(Last re-elected as a director – 31 May 2011)

Directorships of other listed companies held in the last three years:
- Nil

JOSEPH JAMES UEL TAYLOR, B.Sc. (Biology), Ph.D. (Age – 46)
NON EXECUTIVE DIRECTOR, TECHNICAL DIRECTOR (Audit Committee, Remuneration Committee)

Dr Taylor is a marine biologist and aquaculturist whose PhD research specialised in the husbandry of *Pinctada maxima* pearl oysters. Since 1989, Dr Taylor has been involved in the management of aquaculture operations, mainly associated with South Sea pearl farming. He has acquired extensive knowledge about the biology of pearl oysters and has presented many research papers on this subject. Dr Taylor commenced employment with the Company in 1996 as the Project Manager and has overseen the development of the business to its current level of production.

Appointed Director on 13 September 2000
Managing Director from 31 August 2001 to 1 June 2009
(Last re-elected as a director – 31 May 2010)

Directorships of other listed companies held in the last three years:
- Nil

GEOFF NEWMAN, B.Ec (Hons),M.B.A, F.C.P.A ,F.A.I.C.D. (Age – 63)
INDEPENDENT NON EXECUTIVE DIRECTOR (Chair of Audit Committee, Chair of Remuneration Committee)

Mr Newman has over 25 years experience in finance, marketing and general management roles in organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunnings Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005 he was Finance Director/CFO and Company Secretary of both Coogee Chemicals and its oil and gas subsidiary Coogee Resources Ltd before he retired from the Coogee group of companies at the end of June 2006.

Director since 15 October 2010
(Last re-elected as a director – 30 May 2013)

1. DIRECTORS (CONT.)

GEOFF NEWMAN, B.Ec (Hons),M.B.A, F.C.P.A ,F.A.I.C.D. (Age – 63) (CONT.)
INDEPENDENT NON EXECUTIVE DIRECTOR (Chair of Audit Committee, Remuneration Committee)

Directorships of other listed companies held in the last three years:

* Mount Magnet South NL - appointed 31 May 2006, resigned 9 September 2010
* Neptune Marine Services LTD – appointed 16 October 2008, resigned 30 September 2011

TIMOTHY JAMES MARTIN, B.Arts, M.B.A, G.A.I.C.D. (Age – 41)
INDEPENDENT NON EXECUTIVE DIRECTOR (Remuneration Committee)

Mr Martin has over 15 years of experience in the chemical, manufacturing and property sectors in Australia and south-east Asia. Mr Martin is Managing Director of Coogee Chemicals, a privately owned chemical manufacturing and shore side Terminal and Distribution company, with operations throughout Australia and in Asia.

He has experience in the resource sector as a Non-Executive Director of related company Coogee Resources, where he was also a member of their Risk and Audit Committee until the company was sold to PTTEP (the National Oil Company of Thailand).

Prior to this Tim worked in the wholesale food manufacturing and distribution business in senior management positions, primarily servicing retail supermarket chains in Australia.

He is also Director Principal of a private company specialising in commercial property development and leasing, with current projects in Port Hedland, Rockingham, and south Western Australia. He is also a board member of the Kwinana Industries Council representing heavy industry to government and other stakeholders as well as being a member of the Plastics and Chemicals Industry Association of Australia (PACIA) strategic issues advisory council.

Appointed Director on 4 February 2013.

Elected as Director on 30 May 2013.

Directorships of other listed companies held in the last three years:

* Nil

2. COMPANY SECRETARY

The role of Company Secretary at the end of the financial period was shared by Mr Stephen Gleeson and Ms Susan Hunter.

STEPHEN GLEESON, B.BUS, CPA

Prior to joining Atlas in 2012, Mr Gleeson held the position of CFO/Company Secretary of statewide recruitment Company Skill Hire from 2008 to 2012. He also has international experience as CFO of Peter Lik USA and has previously acted as Company Secretary for the ASX listed company Golden Valley Mines NL. He has 25 years' experience in corporate restructuring and business re-engineering, and is a member of CPA Australia.

Appointed 24 April 2012.

2. COMPANY SECRETARY (CONT.)

SUSAN HUNTER, BCom; ACA; F Fin; G.A.I.C.D; A.C.I.S; A.C.S.A.

Ms Hunter has over 19 years experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies and has held senior executive roles at Ernst & Young and PricewaterhouseCoopers in their Corporate Finance divisions and at Bankwest in their Strategy and Ventures division. She holds a Bachelor of Commerce, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Appointed 19 December 2012.

3. DIRECTORS' MEETINGS

The attendance at meetings of the Company's Directors including meetings of committees of Directors is shown below:

Director	Period	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meeting	
		Held	Attended	Held	Attended	Held	Attended
S.P. Birkbeck	01/01/13 – 30/06/13	3	3	-	-	2	2
G. Newman	01/01/13 – 30/06/13	3	3	1	1	2	2
J.J.U. Taylor	01/01/13 – 30/06/13	3	3	1	1	2	2
T. Martin	01/01/13 – 30/06/13	3	3	-	-	2	2

4. REMUNERATION REPORT (AUDITED)

The directors are pleased to present your Company's 2013 remuneration report which sets out remuneration information for Atlas Pearls and Perfumes Ltd's non-executive directors, executive directors and other key management personnel.

	Position
Non-executive and executive directors – see pages 5 to 7 above	
Other key management personnel	
S Gleeson	Chief Financial Officer
JS Jorgensen	Chief Operations Officer PT Cendana Indopearl
C Triefus	Retail Production Manager PT Cendana Indopearl

Changes since the end of the reporting period

The following changes have been made to the remuneration of the following key management personnel after 30 June 2013;

Chief Financial Officer – S Gleeson

Mr S Gleeson's contract was renegotiated on 26 July 2013.

Base salary for the 2013/14 financial year of $225,516 inclusive of 9.25% superannuation, reviewed annually.

Bonus based on achieving various milestones (STIP) relating to retail sales and budgets and implementing new ERP System. Bonus of 1% - 1.5% of 2013/14 EBITDA paid twice yearly. The bonus is only payable on an EBITDA above $1,345,000 for the calendar year ended 31 December 2013.

Non-Executive Directors - G Newman, T Martin, J Taylor

Base fees for Non-Executive Directors - $50,000 per annum as of 1 July 2013 ($30,000 per annum for the period 1 January to 30 June 2013).

As of 1 July 2013 the fee payable to the Chairman of the Audit Committee Mr G Newman will increase to $8,000 per annum.

Technical Director – J Taylor

As of 1 July 2013 the technical director will receive $750 per day for pearl technical and Indonesian entity support.

4.1 Remuneration Governance

4.1.1 Role of the remuneration committee

The remuneration committee is a committee on the board. It is primarily responsible for making recommendations to the board on:

- Non-executive director fees
- Remuneration levels of executive directors and other key management personnel
- The over-archiving executive remuneration framework and operation of the incentive plan, and
- Key performance indicators and performance hurdles for the executive team.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interest of the company.

4. REMUNERATION REPORT (AUDITED)

4.1.2 Non-Executive Director Remuneration Policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually by the Board. Consideration is given to the remuneration of comparable companies when setting fee levels.

The Non Executive Directors' aggregate annual remuneration may not exceed $350,000 which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Annual General Meeting on 30th May 2007. In the period ending 30 June 2013, the total non-executive directors' fees including retirement benefit contributions were $91,862.

The following fees have applied:

- Base fees for Non-Executive Directors - $30,000 per annum for the period 1 January to 30 June 2013.
- Base fees for Non-Executive Directors - $50,000 per annum as of 1 July 2013.
- Additional fees of $8,000 per annum for the Chairman of the Audit Committee.
- Chairman's package is $175,000 per annum plus superannuation this includes the Chairman's remuneration for his role as Chief Executive Officer. The Chairman also receives an additional directors fee from Essential Oils of Tasmania of $50,000 per annum plus superannuation.
- The Technical Director received an additional $20,000 per annum for advice on pearl production matters up to 30 June 2013. As of 1 July 2013 the technical director will receive $750 per day for pearl technical and Indonesian entity support.

4.1.3 Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned to the company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders

The executive remuneration framework has three components;

- Base pay and benefits, including superannuation
- Short-term performance incentives, and
- Long-term incentives through participation in the Atlas South Sea Pearl Limited Employee Share Plan.

Employment contracts are in place between the Company (or its subsidiaries) and all key management personnel. Under these contracts, key management personnel are paid a base salary (which may be provided in the form of cash or non-financial benefits) in accordance with their skills and experience as well as entitlements including superannuation and accrued annual leave and long service leave in the event of termination.

Executives' salaries are reviewed annually and are adjusted to take into consideration the individuals' responsibilities and skills compared to others within the Company and the industry. There are no guaranteed base pay increases in any executives contracts.

There were no short or medium term cash incentives provided to any executives of the company during the last financial period except where noted in section 4.2 of this report. Short or medium cash incentives are incorporated into some executives salary packages at the time of this report. The framework provides a mix of fixed and variable pay with short and medium term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

4. REMUNERATION REPORT (AUDITED)

4.1.3 Executive remuneration policy and framework (cont.)

An Employee Share Plan (ESP) provides some senior executives with incentive over and above their base salary (refer 4.5 below). The allocation of shares under the Employee Share Plan (ESP) is not subject to performance conditions of the Company. The reasons for establishing the ESP were:

- To align the interests of senior management with shareholders. The ESP provides employees with incentive to strive for long term profitability which is in line with shareholder objectives; and
- To provide an incentive for employees to extend their employment terms with the company. Pearl farming is a long term business and the experience of long serving senior employees is an important factor in the long term success of the Company.

Use of remuneration consultants

The Company engaged remuneration consultants Gerard Daniels during the period ended 30 June 2013 to provide an independent market review of the Chief Executive Officer/Executive Chairman and Independent Non-Executive Director Fees. Total fees charged for this service was $15,000 + GST. During the financial year ended 31 December 2012 the Company did not engage any remuneration consultants.

- Gerard Daniels was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by Gerard Daniels directly to the chair of the remuneration committee; and
- Gerard Daniels was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Gerard Daniels was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Voting and comments made that the Company's 2012 Annual General Meeting.

Atlas Pearls and Perfumes Ltd received more than 90% of "yes" votes on its remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration.

Relationship between Key Management Personnel Remuneration and Performance.

Each Key Management Personnel is remunerated on an individual basis. Some Key Management Personnel are entitled to bonuses based on a percentage of EBITDA.

4. REMUNERATION REPORT (AUDITED)

4.2 Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the Group for the current and previous financial period.

Name		Cash salary & fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation	Total
			Short term incentive cash bonus	Non-cash monetary benefit		Super-annuation benefit	Long service leave		
		$	$	$	$	$	$	$	$
Directors (Non-Executive)									
G. Newman [6]	2013	20,487	-	-	20,487	-	-	-	20,487
	2012	37,500	-	-	37,500	12,000	-	-	49,500
J.J.U. Taylor [1, 12]	2013	56,625	-	-	56,625	2,250	-	-	58,875
	2012	72,077	-	1,627	73,704	7,972	-	-	81,676
T. Martin [7]	2013	12,500	-	-	12,500	-	-	-	12,500
	2012	-	-	-	-	-	-	-	-
Total Non-Executive Directors									
(Executive)									
S.P. Birkbeck [1,3,10,12]	2013	87,500	-	-	87,500	7,875	-	-	95,375
	2012	175,000	-	10,424	185,424	15,337	-	-	200,761
S.C.B. Adams [1,2,11]	2013	-	-	-	-	-	-	-	-
	2012	72,502	-	-	72,502	8,469	21,595	-	102,566
Total	**2013**	**177,112**	**-**	**-**	**177,112**	**10,125**	**-**	**-**	**187,237**
Total	**2012**	**357,079**	**-**	**12,051**	**369,130**	**43,778**	**21,595**	**-**	**434,503**

4. REMUNERATION REPORT (AUDITED)

4.2 Details of remuneration (cont.)

Name		Cash salary & fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation	Total
			Short term incentive cash bonus	Non-cash monetary benefit		Super-annuation benefit	Long service leave		
		$	$	$	$	$	$	$	$
Other Key Management Personnel									
S Gleeson [5,9,12]	2013	103,211	-	-	103,211	9,289	-	-	112,500
	2012	183,074	36,902	6,735	226,711	16,477	-	-	243,188
JS Jorgensen [4,10,12]	2013	75,359	-	9,971	85,330	-	-	-	85,330
	2012	225,000	-	36,235	261,235	14,014	-	-	275,249
C Triefus [8,10,12]	2013	42,800	-	11,305	54,105	-	-	-	54,105
	2012	107,000	-	29,685	136,685	-	-	-	136,685
J. Folan [5,11]	2013	-	-	-	-	-	-	-	-
	2012	33,538	-	-	33,538	3,018	-	-	36,556
Total	**2013**	**221,370**	**-**	**21,276**	**242,646**	**9,289**	**-**	**-**	**251,935**
Total	**2012**	**548,612**	**36,902**	**72,655**	**658,169**	**33,509**	**-**	**-**	**691,678**

Notes:

1. Dr J Taylor and Mr S Birkbeck are Directors of the Company's Malaysian subsidiary Aspirasi Satria Sdn Bhd. Mr S Adams resigned as Director on 5 April 2012.
2. Mr S Adams was one of the key management personnel of the Group with the title of Managing Director. Mr S Adams was appointed Managing Director as at 1 September 2010 and resigned 16 January 2012.
3. Mr S Birkbeck is a key management personnel of the Group with the title of Chief Executive Officer. Mr S Birkbeck was appointed Chief Executive Officer as at 16 January 2012.
4. Mr J Jorgensen is a key management personnel of the Group and was appointed to the position of Chief Operating Officer (COO) in September 2010. Mr J Jorgensen is the Chief Operations Officer of the Company's Indonesian subsidiary, P.T. Cendana Indopearls.
5. J Folan was the Chief Financial Officer. J. Folan commenced employment on 31 May 2011 and resigned 1 February 2012. S Gleeson was appointed Chief Financial Officer on the 1 February 2012.
6. G Newman appointed 15 October 2010.
7. T Martin appointed 4 February 2013.
8. Mr C Triefus is the Retail Production Manager. The Retail Production Manager manages the retail stores in Bali and co-ordinates all retail stock for the Group.
9. No bonuses/short term incentives were paid to the KMPs as their milestones were not achieved during the period. In 2012 Stephen Gleeson received his bonus based on achieving various milestones relating to tax compliance and 2% of EBITDA paid twice yearly.
10. A number of key management took part in the 2012 salary sacrifice scheme. $50,000 of Stephen Birkbeck's salary was accrued for under the ESSP scheme and was transferred to him in shares in 2013. In 2012, $25,000 of Jan Jorgensen's salary had been accrued for under the ESSP scheme and was transferred to him in shares in 2013. $17,000 of Colin Triefus' salary had been accrued for under the ESSP scheme and was transferred to him in shares in 2013.
11. In 2012 Mr S Adams and Mr J Folan no longer met the Company's definition of Key Management Personnel.
12. Non-Monetary benefits of other key management personnel included accommodation allowances, school fees and medical expenses, as per individual employment contracts.

4. REMUNERATION REPORT (AUDITED)

4.3. Service Agreements

On appointment to the board, all non-executive directors enter into a service agreement with the Company.

Remuneration and other terms of employment for the Chief Executive Office, Chief Financial Officer, Chief Operations Officer and other key management personnel are also formalised in service agreements.

Details of key management personnel contracts are set out below:

4.3.1. Mr Stephen Birkbeck (Executive Chairman - CEO))

- Mr S Birkbeck was appointed as CEO commencing from 16 January 2012.
- Base salary for the 2013 financial period of $175,000 per annum plus superannuation, reviewed annually for CEO role of Atlas.
- Base salary for the 2013 financial period of $50,000 per annum plus superannuation, reviewed annually for EOT Director's Role.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

4.3.2. Mr Jan Jorgensen (Chief Operating Officer)

- Base salary for the 2013 financial period of $165,000 per annum reviewed annually and also subject to various non-financial allowances relating to living in Indonesia.
- Entitled to commission on Pearl Meat sales of 15% of sales excluding VAT or GST.
- Entitled to commission on Mother of Pearl sales of 5% for annual sales in excess of $300,000 excluding VAT or GST.
- Termination conditions – either party may terminate the contract of employment by giving two months' notice or a lesser amount as mutually agreed.

4.3.3. Mr Colin Triefus (Retail Production Manager)

- Employed under a fixed term contract which was renewed 1 January 2013 and due to expire on 31 December 2013.
- Base salary for the 2013 financial period of $85,600 per annum reviewed annually and also subject to various non-financial allowances relating to living in Indonesia.
- Letter of Agreement signed 25 June 2013 that both parties agree that the current employment contract which is dated 28 November 2012 should end at 30 September 2013.
- Agreement states from 1 October 2013 until 31 December 2013 Colin Triefus will work two days each week.
- Base Salary 1 October 2013 until 31 December 2013 will be $3,000 per month. During this time Colin Triefus will accrue no further holiday entitlement.
- Not entitled to any special termination payments under these contracts.

4.3.4. Mr Stephen Gleeson (Chief Financial Officer)

- Base salary for the 2013 financial period of $225,516 per annum inclusive of superannuation, reviewed annually.
- Bonus based on achieving various milestones (STIP) relating to retail sales and budgets and implementing new ERP System. Bonus of 1% - 1.5% of 2013 EBITDA paid twice yearly. The bonus is only payable on an EBITDA above $1,345,000 for the calendar year ended 31 December 2013.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

4.3.5. Other executives (standard contracts)

- Contract terminates on retirement.
- The Company may terminate the executive's employment agreement by providing 2 months written notice or providing payment in lieu of the notice period.
- Not entitled to any special termination payments under these contracts.

4. REMUNERATION REPORT (AUDITED)

4.4. Additional Information of the remuneration report

4.4.1. Loans to Directors and Executives

Details relating to the loans to directors and key management personnel including amounts, interest rates and repayment terms are set out in note 25 to the financial statements.

4.4.2. Options

There were no options issued to directors or key management personnel in the financial period, or the previous financial year in their capacity as Directors or Key Management Personnel. Directors and Key Management Personnel who chose to participate in the January rights issue acquired free attaching options. Refer to note 25 for further details.

4.5. Share based payments compensation

In 2006 and 2007 ordinary shares were issued to key management personnel of Atlas Pearls and Perfumes Ltd under an Employee Share Plan (ESP) that was approved by shareholders at the company's annual general meeting in May 2006. These shares have been issued to employees under the following terms:

4.5.1. In 2007 shares were issued at a price of 40 cents each, 900,000 were issued on 17th April and 200,000 were issued on 10th May 2007 when the market price was 41 cents and 48 cents per share respectively. In 2006, 2,150,000 shares were issued at a price of 29 cents each on 30th May when the market price was 31 cents per share.

4.5.2. Entitlement to 50% of the beneficial interest on the shares vested to employees after they have completed two (2) years of employment with the company from the date of issue of the shares, and entitlement to the remaining 50% of the beneficial interest in the shares vested to employees after they have completed three (3) years of employment with the company from the date of issue of the shares;

4.5.3. Shares issued under the ESP have been paid for by employees who have been provided with an interest free, non-recourse loan by the Company. This loan is to be repaid from the proceeds of dividends paid in relation to these shares.

4. REMUNERATION REPORT (AUDITED)

4.5.4. The details relating to the allocation of shares to directors and key management personnel under the ESP are as follows:

Name	Date of Issue	No. of Shares Issued (3)	Shares Vested to end of 2010	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Minimum value of grant yet to be vested (1)	Maximum value of grant yet to be vested (2)
Joseph Taylor	10/5/07	200,000	100%	0%	2009 – 50% 2010 – 50%	Ordinary Shares	$-	$-
	30/5/06	**1,000,000**	**100%**	**0%**	**2008 – 50%** **2009 – 50%**	**Ordinary Shares**	**$-**	**$-**
Simon Adams	17/4/07	100,000	100%	0%	2009 – 50% 2010 – 50%	Ordinary Shares	$-	$-
	30/5/06	**400,000**	**100%**	**0%**	**2008 – 50%** **2009 – 50%**	**Ordinary Shares**	**$-**	**$-**

Notes –

1. The minimum benefit is based on the fact that the vesting criteria for the shares on issue have not yet been met.
2. The maximum value is based on the value that is calculated at the time that the shares were issued.
3. The above named individuals are only entitled to these shares when the recourse loan is repaid. As at 30 June 2013, none of these loans have been repaid. Hence, these shares remain as treasury shares in the employee share trust.

4.5.5. In 2012 key management personnel were invited to participate in the Atlas South Sea Pearl Limited Non-Executive Director Fee Sacrifice Share Plan and Employee Salary Sacrifice Share Plan that was approved by shareholders at the Company's Annual General Meeting on 30 May 2012. These shares have been issued to employees under the following terms.

This existing Employee Share Loan Plan was replaced by a new Employee Salary Sacrifice Share Plan and Non-Executive Director Plan at the AGM on the 30 May 2012.

4.5.6. The Atlas Employee Salary Sacrifice Share Plan

On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. On the 4th of September 2012 6,064,000 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at $0.05 per share. On the 15th of March 2013, 2,931,616 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at $0.05 per share. During the six months ended 30 June 2013 5,594,000 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees who participated in the salary sacrifice plan.

Under the Salary Sacrifice Plan, the Company agrees to issue Shares to Eligible Employees, in lieu of the amount of remuneration that each Eligible Employee has agreed to sacrifice from their monthly remuneration.

4. REMUNERATION REPORT (AUDITED)

4.5.6. The Atlas Employee Salary Sacrifice Share Plan (Cont.)

To participate in the Salary Sacrifice Plan, Eligible Employees are required to salary sacrifice a minimum of 10% of their annual base salary into Shares. There is no maximum percentage or value cap to the amount that each Eligible Employee can sacrifice.

The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time by the Board of Directors (in their discretion). For the participants who entered into conditional salary sacrifice arrangements before the AGM on the 30th of May 2012, the issue price per Share is 5 cents.

The Employee Share Plan is open to Eligible Participants being any Eligible Employee; or conditional upon the company obtaining any necessary ASIC relief to extend the operation of ASIC Class Order 03/184 (or similar class order) to them: any Eligible Contractor; or Eligible Casual Employee, who is declared by the Board to be an Eligible Participant for the purposes of the Plan.

There are no vesting conditions attached to the plan. Once an Employee has salary sacrificed salary equivalent to the number of shares taken up under the plan the shares are issued to the Employee.

An Eligible Employee means: a full time or part time employee (including an executive director) of a Group Company. An Eligible Contractor means: an individual that has: performed work for a Group Company, for more than 12 months; and received 80% of more of their income in the preceding year from a Group Company; or a company where each of the following are satisfied in relation to the company:

Throughout the previous 12 months the company has had a contract in place with a Group Company, for the provision of the services of an individual (contracting individual) to a Group Company;

- The contracting individual has performed work for a Group Company, for more than 12 months;
- The contracting individual has been the only member for the company for more than 12 months; and
- More than 80% of the aggregate income of the company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received form a Group Company.

The Board may determine the terms and conditions of the Salary Sacrifice arrangement for which Shares are offered in lieu of that Remuneration.

The number of Shares to be issued, transferred or allocated to the Trustee to be held on behalf of a Participant will be the dollar amount of the Salary Sacrifice divided by the issue price per Share outlined in the Invitation. In the case of fractional entitlements, the number of Shares to be issue, transferred or allocated to the Trustee to be held on behalf of a Participant will be rounded up to the nearest whole Share, unless otherwise determined by the Board from time to time.

Shares to be acquired by Eligible Participants under the Salary Sacrifice plan are held in the trust until such time that the Shares are fully paid for. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. As at 30 June 2013 5,594,000 of the shares issued were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to Eligible Participants. The shares rank equally with other fully paid ordinary shares. Where shares are issued to employees of subsidiaries of the Group, the transactions are treated in accordance with the accounting policy at note 1.16.

4. REMUNERATION REPORT (AUDITED)

4.5.7. The details relating to the allocation of shares to directors and key management personnel under the Employee Salary Sacrifice Share Plan are as follows:

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares Issued	Date of Issue	Shares Vested to end of 2012	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Stephen Birkbeck	4/09/12	1,000,000	1,000,000	8/5/13	100%	0%	2012 – 100%	Ordinary Shares	$0.05	$50,000
Jan Jorgensen	4/09/12	500,000	500,000	4/3/13	100%	0%	2012 – 100%	Ordinary Shares	$0.05	$25,000
Colin Triefus	4/09/12	340,000	340,000	28/3/13	100%	0%	2012 – 100%	Ordinary Shares	$0.05	$17,000

4.5.8. The Atlas Non-Executive Director Fee Sacrifice Share Plan

On the 26 June 2012 828,000 shares were issued into the Atlas Pearls and Perfumes Ltd Non-Executive Director Trust at $0.05 per share. These shares have since been issued to Non-Executive Directors. There were no new shares issued under the NED plan during the period ended 30 June 2013.

The Non-Executive Director Salary Sacrifice Share Plan is open to Eligible Participants, being any Non-Executive Director who is declared by the Board to be an Eligible Participant for the purpose of the Plan.

The Company's Non-Executive Directors will receive a portion of their Director's fee in the form of Shares.
The Company agrees to issue or procure the transfer of Shares to eligible Non-Executive Directors, in lieu of the amount of Directors' fees that each eligible Non-Executive Director has agreed to sacrifice from their monthly Directors' fees each financial year.

The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time by the Board of Directors (in their discretion). For the participants who entered into conditional salary sacrifice arrangements before the AGM on the 30th of May 2012, the issue price per Share is 5 cents.

4. REMUNERATION REPORT (AUDITED)

4.5.9. The details relating to the allocation of shares to directors and key management personnel under the Non-Executive Director Fee Salary Sacrifice Share Plan are as follows:

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares Issued	Date of Issue	Shares Vested to end of 2012	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Joseph Taylor	26/6/12	180,000	180,000	29/6/12	100%	0%	2012 – 100%	Ordinary Shares	$0.05	$9,000
Geoff Newman	26/6/12	648,000	648,000	29/6/12	100%	0%	2012 – 100%	Ordinary Shares	$0.05	$32,400

Notes –

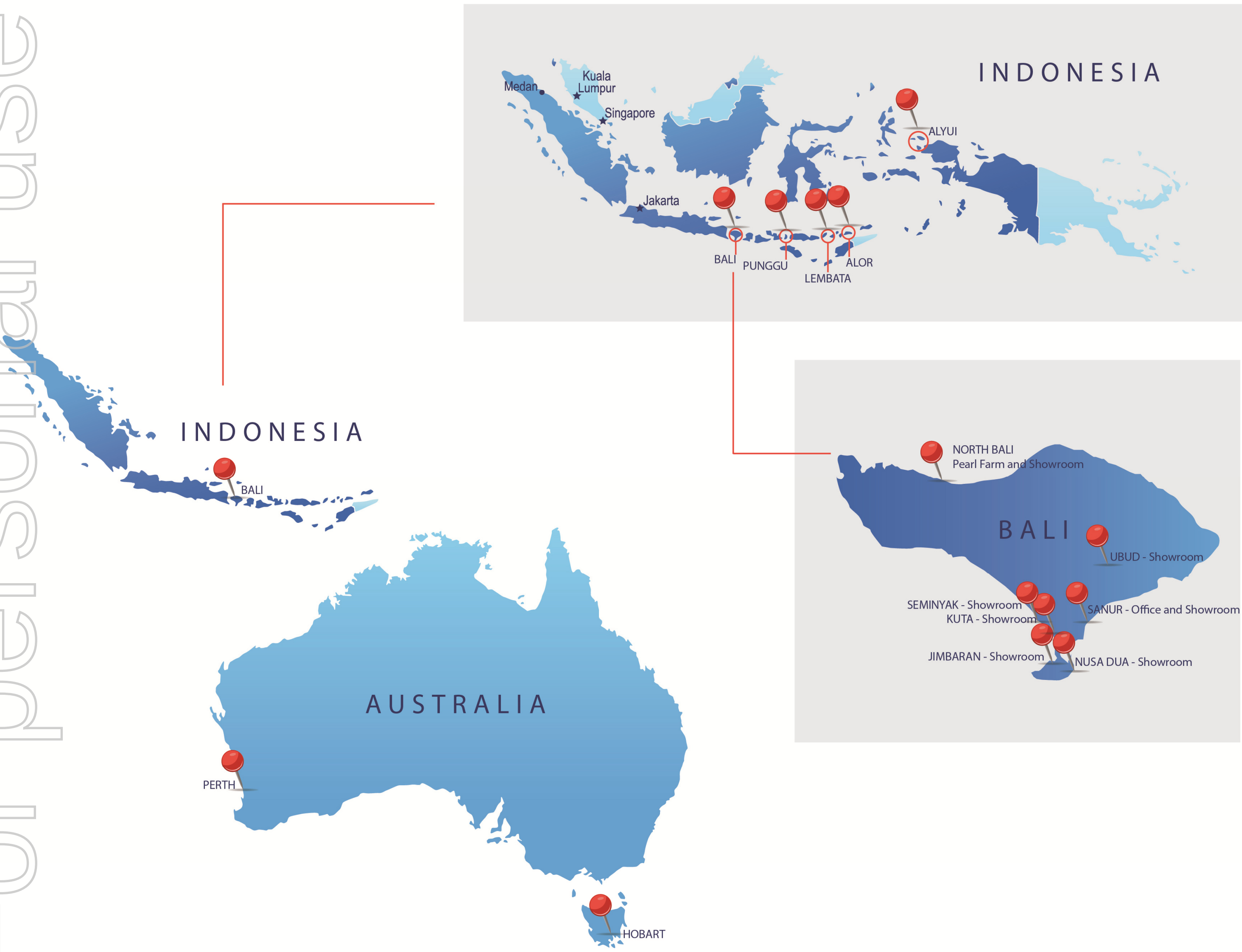
1. These shares were issued under the NED plan described above directly to the NEDs, for past services rendered.

This is the end of the Audited Remuneration Report.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

1.1. Principal Activities

The Company is a producer of pearls and perfumes (and cosmetics) with administrative and retail centres in Bali and Perth, pearl farms in Indonesia and a natural ingredients processing plant in Tasmania for the processing of natural ingredients to extract essential oils, fragrances and flavours. In addition, The Company has a joint venture, World Senses, with Nomad Two Worlds in marketing and value adding.



1.2. Review of Operations and significant changes in the state of affairs

1.2.1. Six Months in Perspective.

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

Revenue of Loose Pearls were lower than the 2012 comparative with sales of $1,866,608 for the six month period (6 months ended 30 June 2012 - $4,399,483) as the Company delayed pearl sales events and some pearl harvests as previously explained. Holding back the harvest and auction of the majority of 2013 production to the second half of the year has had a negative impact on Normalised EBITDA for the six months to 30 June 2013 but will have reverse effect on the Normalised EBITDA for 2013/14.

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

1.2.2. Shareholder Returns

	6 Months Ending 30 June 2013 $'000	**12 Months Ending 31 Dec 2012 $'000**	**12 Months Ending 31 Dec 2011 $'000**
Net profit/(loss) after tax	(2,195)	1,406	594
Basic EPS (cents)	(0.81)	0.68	0.43
Dividends paid	Nil	Nil	Nil
Dividends (per share) (cents)	Nil	Nil	Nil

The adjustments from NPAT to arrive at reported Normalised EBITDA for these periods are shown below:

	6 Months Ending 30 June 2013 $'000	**12 Months Ending 31 Dec 2012 $'000**	**12 Months Ending 31 Dec 2011 $'000**
Net profit/(loss) after tax	(2,195)	1,406	594
Tax expense/(benefit)	(1,472)	(1,767)	504
Finance/Interest net costs	222	(650)	264
Depreciation & amortisation	136	216	121
Foreign Exchange (gain)/loss	(1,091)	(1,137)	919
Agriculture Standard revaluation (gain)/loss	2,908	3,147	(962)
Other Non-Operating (income)/expense	242	130	115
Normalised EBITDA	(1,250)	1,345	1,555

1.2.3. Financial Position

	30 June 2013 $'000	31 Dec 2012 $'000	31 Dec 2011 $'000
Total Assets	35,676	33,602	30,831
Debt (Current & Non-current)	(5,274)	(4,936)	(5,720)
Other Liabilities	(4,605)	(4,449)	(4,828)
Shareholder funds	25,797	24,217	20,283
Debt / Shareholder funds	20%	20%	26%
Number of shares on issue (million)	287.039	237.135	142.858
Net tangible assets per share (cents)	8.6	10.2	14.4
Share price at reporting date (cents)	4.1	4.5	7.7

There has been an increase in the net assets of the group of $1.6M in the six months to 30 June 2013. Movements in the net worth of the economic entity are summarised below:

- Cash reserves decreased to $1.8M (2012 - $2.1M) at 30 June 2013. During the six months ended 30 June 2013 core debt was reduced by $446,257. The non-renounceable rights issue opened on 30 November 2012 and closed on 18 January 2013 raised capital of $1,584,686. In addition to this share placement 1,100,000 convertible notes were also issued during the period for a period of 2 years at a face value of $1 per note. The convertibles notes are all exercisable at the lower of $0.05 or 90% of the 10 day volume weighted average price of Atlas Shares at the time of conversion.
- Trade receivables reduced to $1.1M (2012 - $3.3M) principally due to the receipt of $2.3M funds from the PT Cendana Indopearls 2007 Tax Appeal which was successfully award to the Company in December 2012 with funds received in February 2013.
- Oyster assets value decreased by $0.6M during the six months ended 30 June 2013 despite an improvement in the market price of pearls from ¥7,296/momme at 31 December 2012 to ¥8,250/momme at 30 June 2013. This was partly due to a weaker Yen: ¥91.64 to AUD (30 June 2013) compared to ¥89.02 to AUD (31 Dec 2012), and a lower number of Oysters harvestable within the next 12 months from 273K at 31 Dec 12 to 205K at 30 June 2013. The total change in fair value less husbandry costs of oysters during the six months ended 30 June 2013 was $0.7M.
- Pearls on hand increased from 127,241 at 31 Dec 12 to 164,399 at 30 June 2013; the net realisable value increased from $1.7M at 31 Dec to $2.5M at 30 June 2013 as the auction originally schedule for June 2013 was held in early July 2013 resulting in a build-up of stock at 30 June 2013. A write-off of $1.7M was recognised in relation to pearls and jewellery costs for the period as inventory is required to be valued at the lower of cost and net realisable value.
- Jewellery inventory was $3.0M as at 30 June 2013, up from $2.5M at 31 Dec 2012 despite the Company improving inventory management controls. The increase in stock is attributed to a weaker than expected retail market.
- Borrowings increased by $0.3M to $5.3M at 30 June 2013. This increase is due to convertible notes with a fair value of $0.8M at 30 June 2013 offset by debt capital reduction and a weaker Japanese Yen.

1.2.3. Financial Position (Cont.)

- Essential oil finished product made up $1.1M of the inventory balance at 30 June 2013. Essential Oils of Tasmania's crops made up $0.4M of the total biological assets balance at 30 June 2013. During the six months ended 30 June 2013 the group recorded write-downs of Lavender and Boronia crops totalling $0.4M. At 30 June 2013 the changes in fair value less husbandry cost of crops resulted in an expense of $37K.
- Property plant and equipment increased to $4.5M at 30 June 2013 from $4.0M at 31 Dec 2012. The increase is attributed to the 15 January 2013 acquisition of Essential Oils of Tasmania, as at 30 June 2013 Essential Oils of Tasmania's property plant and equipment balance was $0.4M.

1.2.4. Operating Results

Atlas recorded a net loss after tax for the period ended 30 June 2013 of $2.2M, a reduction of $3.6M (31 Dec 2012 – net profit after tax of $1.4M).

The operating revenue for the six months ended 30 June 2013 was $3.5M, compared to the 12 months ended 31 Dec 2012 ($12.3M). Pearl sales revenue was $1.9M, with retail and wholesale sales revenue of $0.6M and essential oil sales of $0.5M. The number of jewellery retail outlets in Bali remained consistent with 2012 at a total of seven.

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

1.2.5. Pearl Oyster Production Results

The hatchery results for the period January to June were excellent and survival in the nursery and grow-out systems has been above average and there is a current surplus of juvenile pearl oyster stock. Results from operations have been well in line with expectation with the added advantage of better stock selection compared with 2012. The Lembata hatchery and grow-out systems are operating on par with Bali. Post operation results in Lembata have also been above company expectations.

Oyster seeded for the period January to June 2013 totalled 134,477 with a further 74,000 seedings scheduled for July and August. The total projected seedings for calendar year 2013 are expected to reach 576,000, similar to the 2012 season. North Bali and Lembata seeding programs have seen improved retention and general health of oysters.

Seeding programs at North Bali and Lembata have seen above average nuclei retention and survival for the period up to August 2013.

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

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

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

1.2.6. "3000 Hands: Sharing and Sustaining

The introduction to our *3000 Hands: Sharing and Sustaining* web series has been launched with our first 4 minute video. Over the next 12 months we will be adding feature stories to the series to help tell the unique position of Atlas in Indonesia and the relationship of creating beautiful pearls and perfumes with community, people and environment. These stories reveal the Atlas philosophy in terms of community engagement and sustainable practice and provide a strong vehicle for marketing our luxury products to the world. If you haven't done so, please take a moment to visit www.3000hands.com. New episodes will be available before the end of the year.

1.2.7. Personnel

Atlas places a strong emphasis on training and retention of its workforce to ensure a more efficient and cost effective operation. Staff numbers reduced slightly in 2013 as the Company chose to consolidate its operations for the year.

Staff numbers at the end of the year were as follows:

	2013	2012	2011
Expatriates – Indonesia	15	20	18
Indonesian nationals – permanent	613	629	571
Indonesian nationals – part time	149	178	256
Australia	30	13	10
Total Personnel	807	840	855

1.2.8. Marketing

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

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

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

1.2.9. Research and Development

Research and development remains a cornerstone of the company's success and never more so since the acquisition of EOT. Atlas is working in the following areas:

- Pearl oyster genetics and selective breeding
- Novel pearl growth enhancement technology utilising various natural and organic compounds
- Fouling and predation control systems
- Materials and equipment for pearling
- Plant genetics and production

1.2.9. Research and Development (Cont.)

- Plant and pearl (volatile) extraction and distillation
- Pearl and plant processing (protein) and bioactive extractive (non volatile) extraction
- Crushing, anti-aging and infusion of nacre
- Perfume accords and compounding
- Perfume and cosmetic product formulation

Many of the above programs are targeted at creating new products for more diverse revenue streams and are being partially funded by R&D tax incentives.

During 2013 Atlas will seek ways of combining the research talents between the pearl and new perfume divisions.

2. DIVIDENDS

No dividends were declared and paid by the Company during the six month period ended 30 June 2013 or the 12 month period ended 31 December 2012.

3. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There are no matters subsequent to the period end, which require disclosure.

4. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

All of Atlas's Eastern sites have been fully rationalised and are now operating at commercial capacity. Our two technical hubs in Bali and Lembata (Flores) have been optimised and the group is currently sitting with a virgin oyster stock surplus at a time when most Indonesian producers have insufficient pearl oysters to maintain seeding targets. This is a commanding position allowing our management team to apply greater selection pressure to the seeding programme and to further lift quality. A measure of this has been the significant size increase in pearl oysters presented to our skilled technicians. Record seeding numbers are anticipated over the next 2 seasons.

The success of the Atlas breeding programme can be directly attributed to our long-term research collaboration with James Cook University. Atlas now has the equivalent to thoroughbred stock with a unique and genetically traceable heritage. Work has also commenced on a specialised research hatchery and development of an independent R & D department that will operate an experimental pearl farm located near the existing North Bali operations. This new hatchery will be operational by April 2014 with the hope of commissioning trials before the end of the 2013/14 breeding season.

Harvests at all three pearl growing sites have generated high quality pearls to a market hungry for the colour and size that Atlas is best known for (9-13 mm white and silver pearls). The July auction result delivered the best pearl price average since 2007 (pre GFC). There are now significantly lower numbers of pearls (estimated global reduction in South Sea Pearl Production >25%) in the market place fuelling demand for quality goods. Barring any major global economic shifts, we expect further improvement in average pearl prices.

The first cosmetics have been released (Dream Sea Lip Gloss and PerlMist) and are currently part of a consumer trial. Atlas intends having these products as part of a combined online pearl and perfume/cosmetic virtual store, which will be launched by the end of 2013. World Senses is close to finalizing some international agreements, which will see Essential Oils of Tasmania (EOT) supplying high quality, refined extracts into a global market.

5. DIRECTORS' INTERESTS

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary Shares		Unlisted Options	
	Direct	**Indirect**	**Direct**	**Indirect**
S.P. Birkbeck[3]	-	37,109,027	-	6,018,172
J.J.U. Taylor [1],[2]	200,000	1,200,000	-	-
G. Newman[2]	-	1,411,295	-	128,000
T. Martin[4][5]	2,856,545	13,771,600	400,000	2,128,600

1. The 1,200,000 shares held indirectly by Dr J Taylor are held in trust under the rules of the Employee Share Plan. These shares have now vested. Dr Taylor is only entitled to the shares once the loan is repaid in full (Refer Note 23).
2. Dr J Taylor acquired 180,000 shares, and G Newman acquired 648,000 shares in 2012 under the Non-Executive Director Fee Salary Sacrifice Share Plan (Refer to Note 4.5.9 of Remuneration Report).
3. 1,000,000 shares held in trust in the ESP for Stephen Birkbeck were issued on 8 May 2013 (Refer to Note 4.5.7).
4. Mr T Martin was appointed director 4 February 2013.
5. 13,771,600 indirect ordinary shares and 2,128,600 indirect unlisted options held by Mr T Martin are held by a private entity which Mr T Martin is 1 of 4 directors. This entity is classified as a related party.

6. OPTIONS

The Company had 32,582,005 options granted over unissued shares at the 30 June 2013 (31 December 2012 – nil). As part of the rights issue on 18 January 2013 a total of 30,240,735 unlisted options expiring 29 January 2014 exercisable at $0.05 each were issued pursuant to the Company's non-renounceable entitlements Prospectus dated 16 November 2012. An additional 2,452,979 options were issued when the shortfall was taken up in March and April 2013. These options expire on 29 January 2014 and are exercisable at $0.05 each. Options exercised during the six months ended 30 June 2013 totalled 111,709.

7. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

7.1. Indemnification

The Company has agreed to indemnify the following current directors of the Company; Mr S Birkbeck, Dr J Taylor, Mr G Newman and Mr T Martin and the following former directors; Mr S Adams, Mr RP Poernomo , Mr G Snow, Mr R Wright and Mr I Murchison, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct which involves negligence, default, breach of duty or a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

7.2. Insurance Premiums

Since the end of the previous financial year the Company has paid insurance premiums of $16,498 (2012 - $16,548) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

8. NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services provided during the period are set out below.

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the period is compatible with general standards of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the services disclosed below did not compromise the external auditor independence requirements of the *Corporations Act 2001*. The nature of the service provided do not compromise the general principles relating to auditor independence because they relate to tax advice in relation to compliance issues and review of the tax provisions prepared by the Company. None of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants.*

The following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms during the period ended 30 June:

	Consolidated	
	6 Months Ending 30 June 2013	**12 Months Ending 31 Dec 2012**
AUDIT SERVICES	**$**	**$**
BDO Australian Firm:		
Audit and review of financial reports	**74,765**	82,007
Related practices of BDO Australian Firm	**-**	30,917
Total remuneration for audit services	**74,765**	112,924
TAXATION SERVICES		
BDO Australian Firm:		
Tax compliance services and advice	**28,449**	54,119
Related practices of BDO Australian Firm	**-**	-
Total remuneration for taxation services	**28,449**	54,119
Total remuneration for non-audit and taxation services	**28,449**	54,119

9. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied under section 237 of the *Corporations Act 2001* for leave of court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company has not been a party to any proceedings during the period.

10. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

Signed in accordance with a resolution of the Directors.

S.P Birkbeck
Chairman
25 September 2013

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

25 September 2013

Board of Directors
Atlas Pearls and Perfumes Ltd
Shop 1, 47-49 Bayview Terrace
CLAREMONT WA 6010

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ATLAS PEARLS AND PERFUMES LTD

As lead auditor of Atlas Pearls and Perfumes Ltd for the six month period ended 30 June 2013, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Atlas Pearls and Perfumes Ltd and the entities it controlled during the period.

C Burton

CHRIS BURTON
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2013

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

The accompanying notes form part of these financial statements.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30 June 2013 $	31 Dec 2012 $
Current assets			
Cash and cash equivalents	6	1,767,156	2,127,414
Trade and other receivables	7	1,074,871	3,335,254
Derivative financial instruments	8	-	181,327
Inventories	9	7,115,790	4,632,909
Biological assets	10	5,914,682	7,613,044
Total current assets		15,872,499	17,889,948
Non-current assets			
Loans joint venture entities		313,926	127,816
Equity accounted for investments	30	280,984	554,766
Other investments		-	89,107
Inventories	9	223,399	176,936
Biological assets	10	11,535,561	8,821,501
Property, plant and equipment	11	4,513,455	4,040,748
Deferred tax assets	14	2,936,629	1,900,919
Total non-current assets		19,803,955	15,711,793
Total assets		35,676,454	33,601,741
Current liabilities			
Trade and other payables	12	2,329,224	2,148,962
Borrowings	13	4,436,797	4,755,043
Derivative financial instruments	8	14,479	-
Current tax liabilities	14	234,884	368,091
Short-term provisions	15	92,037	1,805
Total current liabilities		7,107,421	7,273,901
Non-current liabilities			
Derivative financial instruments	8	390,148	-
Borrowings	13	837,646	180,879
Deferred tax liabilities	14	1,544,570	1,930,243
Total non-current liabilities		2,772,364	2,111,122
Total liabilities		9,879,785	9,385,023
Net assets		25,796,669	24,216,718
Equity			
Contributed equity	16	30,203,033	27,610,085
Reserves	17	(7,284,974)	(8,466,622)
Retained profits/(accumulated losses)	18	2,878,610	5,073,255
Total equity		25,796,669	24,216,718

The accompanying notes form part of these financial statements.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013

		Attributable to owners of Atlas Pearls and Perfumes Ltd				
		Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total equity
	Note	$	$	$	$	$
Balance at 1 January 2012		**23,287,552**	**581,029**	**(7,251,866)**	**3,667,105**	**20,283,820**
Profit/(loss) for the year	18	-	-	-	1,406,150	1,406,150
Exchange differences on translation of foreign operations	17	-	-	(1,795,785)	-	(1,795,785)
Total comprehensive income for the year		-	-	(1,795,785)	1,406,150	(389,635)
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	16	4,322,533	-	-	-	4,322,533
Dividends provided for or paid	19	-	-	-	-	-
Employee share scheme	17	-	-	-	-	-
		4,322,533	-	-	-	4,322,533
Balance at 31 December 2012		**27,610,085**	**581,029**	**(9,047,651)**	**5,073,255**	**24,216,718**
Balance at 1 January 2013		**27,610,085**	**581,029**	**(9,047,651)**	**5,073,255**	**24,216,718**
Profit/(loss) for the period	**18**	**-**	**-**	**-**	**(2,194,645)**	**(2,194,645)**
Exchange differences on translation of foreign operations	**17**	**-**	**-**	**1,181,648**		**1,181,648**
Total comprehensive income for the period		**-**	**-**	**1,181,648**	**(2,194,645)**	**(1,012,997)**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	**16**	**2,592,948**	**-**	**-**	**-**	**2,592,948**
Dividends provided for or paid	**19**	**-**	**-**	**-**	**-**	**-**
Employee share scheme	**17**	**-**	**-**	**-**	**-**	**-**
		2,592,948	**-**	**-**		**2,592,948**
Balance at 30 June 2013		**30,203,033**	**581,029**	**(7,866,003)**	**2,878,610**	**25,796,669**

The accompanying notes form part of these financial statements.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2013

	Note	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Cash flows from operating activities			
Proceeds from pearl, jewellery and oyster sales		2,336,290	11,358,557
Proceeds from essential oil sales		682,947	-
Proceeds from other operating activities		299,375	45,906
Interest paid		(169,515)	(239,661)
Interest received		22,221	33,329
Payments to suppliers and employees		(6,637,748)	(11,111,972)
Income tax (paid)/received		2,321,163	(390,105)
Net cash provided by/(used in) operating activities	24.2	(1,145,267)	(303,946)
Cash flows from investing activities			
Cash obtained on business combination		142,221	-
Payments for property, plant and equipment		(233,328)	(900,576)
Joint venture partnership contributions (paid)/received		(186,109)	(100,000)
Other loans		-	(89,105)
Net cash provided by/(used in) investing activities		(277,216)	(1,089,682)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(1,646,257)	(997,466)
Proceeds from issue of shares		1,640,271	4,235,055
Share transaction costs		(43,688)	(105,923)
Proceeds from convertible notes		1,100,000	-
Net cash provided by/(used in) financing activities		1,050,326	3,131,666
Net increase/(decrease) in cash and cash equivalents		(372,157)	1,738,039
Cash and cash equivalents at the beginning of the financial period		2,127,414	409,871
Effects of exchange rate changes on cash and cash equivalents		11,899	(20,496)
Cash and cash equivalents at the end of the financial period	6	1,767,156	2,127,414

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Atlas Pearls and Perfumes Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements cover the consolidated entity of Atlas Pearls and Perfumes Ltd and its subsidiaries. Atlas Pearls and Perfumes Ltd is a listed public company, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors report which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 25th September 2013. The directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

1.2 Compliance with IFRS

The consolidated financial statements of the Atlas Pearls and Perfumes Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1.3 New and amended standards by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 January 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of Comprehensive Income to show items of Comprehensive Income grouped into those that are not permitted to be reclassified to the Profit or Loss in a future period, and those that may have to be reclassified if certain conditions are met.

1.4 Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the reporting period beginning 1 January 2013.

1.5 Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments and biological assets) at fair value through profit or loss.

1.6 Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.34.

1.7 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls and Perfumes Ltd ("Company" or "parent entity") as at 30 June 2013 and the results of its subsidiaries for the six month period then ended. Atlas Pearls and Perfumes Ltd and its subsidiaries together are referred to in this financial statements as the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial performance respectively.

(i) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. The trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by Atlas South Sea Pearl Limited Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(ii) Joint Ventures

Joint venture entities

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the entity is recognised in the profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the entity are set out in note 31.

Profits of losses of transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisation value of current assets, or an impairment loss.

1.8 Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Inventories

(a) Pearls – The cost of pearls grown by the Group is the fair value less husbandry costs at the time the pearls are harvested. At each reporting date they are valued at the lower of cost and net realisable value.

(b) Nuclei - quantities on hand at the period end are valued at the lower of cost and net realisable value.

(c) Oysters – refer note 1.10.

(d) Crops – refer note 1.10.

(e) Essential Oils - quantities on hand at the period end are valued at the lower of cost and net realisable value.

(f) Other inventories – including jewellery, fuel, mechanical parts and farm spares at the period end are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

1.10 Biological Assets

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

Changes in fair value less estimated husbandry costs of these assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the period they arise.

1.10 Biological Assets (Cont.)

The details of the Biological assets that are held by the economic entity as at 30 June 2013 are provided at Note 10.

1.11 Property, Plant & Equipment

Each class of property, plant & equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their cost, less subsequent depreciation for buildings.

Leasehold property is shown at cost and amortised over the shorter of the term of the unexpired lease on the property or the estimated useful life of the improvements on the property.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying value of plant and equipment and their useful lives are reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets which is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal.

The cost of fixed assets constructed within the economic entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future economic benefit that will flow to the Group which can be reliably measured, in which case the value of the asset is increased.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

Depreciation

Depreciation on property, plant and equipment is calculated on a straight line basis so as to write off the cost or valuation of property, plant and equipment over their estimated useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	**Depreciation rate**	
	2013	**2012**
Freehold land	5-10%	5-10%
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	10-50%	10-50%

1.12 Investments and Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Unrealised gains and losses arising from changes in fair value are taken directly to equity. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(d) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the economic entity has transferred substantially all the risks and rewards of ownership.

(e) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise.

1.12 Investments and Other Financial Assets (Cont.)

(f) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for – sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

1.13 Derivative instruments

Derivative instruments are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Gains and losses arising from changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income.

1.14 Impairment of assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.15 Foreign Currency Translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the subsidiaries within the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Atlas Pearls and Perfumes Ltd's functional and presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1.15 Foreign Currency Translation (Cont.)

(b) **Transactions and balances (cont.)**

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

All foreign exchange gains and losses are presented in the Statement of Profit of Loss and Other Comprehensive Income within other income or other expenses unless they relate to financial instruments.

(c) **Group Companies**

The results and financial position of all group entities (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates;
3. and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings are repaid, a proportional share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

1.16 Employee Benefits

Wages and salaries, annual leave, sick leave and long service leave

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Liabilities due to be paid within 12 months of the reporting date are recognised in other payables. The liability for long service leave is recognised in the provision for employee benefits.

Wages and salaries, annual leave, sick leave and long service leave

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Share-based payments

Share-based compensation benefits are provided to employees via the Atlas Pearls and Perfumes Ltd Employee Share Plan. Information relating to this scheme is set out in note 23.

The fair value of shares granted under the Employee Share Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date that the employee enters into the plan and is recognised over the period during which the employee becomes unconditionally entitled to the shares.

1.17 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.18 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, high liquid investments with original maturity or three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

1.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sales Revenue comprises of revenue earned from the sale of products or services to entities outside the economic 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.

1.20 Leases

Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

1.21 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. All trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account – provision for impairment of trade receivables, is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, financial reorganisation, and default and delinquency in payments, more than 30 days overdue, are considered indicators that the trade receivable is impaired. The Group also considers the long term history of the debtor. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

1.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.23 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised in the statement of profit or loss and other comprehensive income.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.24 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1.25 Convertible notes

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

1.26 Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company and recognised in equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

1.27 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at reporting date.

1.28 Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the statement of financial position.

Cash flows are included in the statement of cashflows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1.28 Goods and Service Tax (GST) (Cont.)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1.29 Earnings Per Share

(a) Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

(b) Diluted earnings per share
Diluted earnings per share adjusts the figure used in determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1.30 Segment Reporting

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 four 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.

The accounting policies used by the Group in reporting segments are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

Inter-entity sales
Inter-entity sales are recognised based on an internally set transfer price. These transactions are eliminated within the internal reports. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

Biological assets and pearl inventories
These are recognised at cost within the internal reports.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

1.31 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

1.32 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the group recognises any non – controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group’s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurements of all amounts have been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of cash contribution is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1.33 Parent entity financial information

The financial information for the parent entity, Atlas Pearls and Perfumes Ltd, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Atlas Pearls and Perfumes Ltd.

(ii) Share-based payments

The grant by the company of ordinary shares to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

1.34 Critical accounting estimates and judgments

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.

1.34 Critical accounting estimates and judgments (cont.)

Key estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Critical judgements in applying the entity's accounting policies

– Doubtful debts provision

No provision has been recognised in respect of receivables owed to the group for the period ended 30 30 June 2013 or 31 December 2012.

– Write-off of pearl inventories

There was a write-off of $1,730,274 as at 30 June 2013 (31 Dec 2012 – $3,869,374).

– Determination of net market value of inventories and biological assets

Agricultural assets include pearl oysters, both seeded and unseeded and pearls that have been harvested from the oysters which remain unsold. Seeded oysters are measured at their fair value using the net present value of expected future net cash flows attributed to this inventory less the estimated husbandry costs. The fair value of unseeded oysters is determined by reference to market prices for this type of asset in Indonesia. Pearls are measured at their fair value husbanrdy costs by reference to anticipated market prices for pearls.

Key assumptions that have been used to determine the fair market value of the oysters at 30 June 2013 are as follows:

	30 June 2013	**31 December 2012**
Average selling price for pearls[1]	¥8,250 per momme	¥7,296 per momme
¥ exchange rate	¥91.64:AUD1.00	¥89.02:AUD1.00
Average pearl size	0.60 momme	0.68 momme
Proportion of market grade pearls	61%	51%
Discount rate applied to cash flow	20%	20%
Mortality & Rejection rates	Historical comparison	Historical comparison
Average unseeded oyster value	$1.90	$1.86

1. Average pearl prices are based on historical averages discounted for potential market volatility

Biological assets are valued using estimated future yen rates. Biological assets recognised as current assets on the 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 yen rates for the next 18 months from Commonwealth Bank of Australia.

1.34 Critical accounting estimates and judgments (Cont.)

Key assumptions that have been used to determine the fair market value of the crops at 30 June 2013 are as follows:

Boronia	**30 June 2013**
Discount rate applied to cash flow	3-6%
Estimated life	10 years
Flower yield per ha	2,000kg
Oil Yield per kg of flower	60%
Farm gate price per kg	$2,500
JV Grower Share	50% of profit after production and harvesting costs

Lavender	**30 June 2013**
Discount rate applied to cash flow	3-6%
Estimated life	10 years
Oil Yield per ha	Year 1 – nil Year 2 – 10% Year 3 – 25% Year 4:10 – 40%
Selling price per kg	$300

- *Determination of derivative liability within Convertible Notes*

The fair value of the embedded derivative outstanding is measured using models that require the exercise of judgements in relation to variables such as expected volatility and future share price. Any changes in the variables will affect the fair value of the derivative post reporting date.

2. REVENUE FROM CONTINUING OPERATIONS

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

3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS

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

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS (CONT.)	**$**	$
Other expenses		
Loss on financial instruments unrealised	**195,806**	-
Provision for employee entitlements	**135,128**	13,313
Change in fair value less husbandry costs of oysters	**735,322**	-
Write-off of pearl and jewellery costs	**1,745,978**	3,898,114
Changes in fair value less husbandry costs of crops	**36,616**	-
Write-off of crops	**405,566**	-
Share of loss on joint ventures	**273,781**	83,154
Write-down on investments	**84,693**	-
Other	**150,615**	268,294
	3,763,505	4,262,875
Finance costs		
Interest and finance charges payable	**240,532**	266,541
	240,532	266,541
Net loss/(profit) on foreign currency derivatives not qualifying as hedges	**195,806**	(359,179)

4. INCOME TAX EXPENSE

a) The components of tax expense/(benefit) comprise:		
Current tax	**(308,328)**	(969,597)
Deferred tax	**(786,208)**	(797,206)
Prior period under/(over) provision	**(377,391)**	-
	(1,471,927)	(1,766,803)
b) Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease(increase) in deferred tax assets (excluding tax losses) (note 14)	**(400,535)**	(512,393)
(Decrease)increase in deferred tax liabilities (note 14)	**(385,673)**	(284,813)
	(786,208)	(797,206)

4. INCOME TAX EXPENSE (CONT.)

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
c) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax expense	**(3,666,572)**	(360,653)
Tax at the Australian tax rate of 30%	**(1,099,972)**	(108,196)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non deductible expenses	**(26,114)**	15,023
Tax losses not brought to account	**114,723**	100,683
Sundry items	**(216)**	-
Permanent Differences (Indonesia)	**(34,848)**	62,951
Difference in overseas tax rates	**(48,110)**	(170,280)
Indonesian Tax Refund*	**-**	(1,452,530)
Income tax under/(over) provided in prior years	**(377,390)**	(214,454)
Income tax expense/(benefit)	**(1,471,927)**	(1,766,803)
Weighted average effective tax rates	**40%**	489%

Refer note 22 regarding income tax under/(over) provided for prior years for details in relation to double taxation relating to 2007 fiscal period.
*Refer to note 7.

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
d) Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Accrued interest	**-**	(52)
Fair value adjustment on biological assets and agricultural produce	**(541,261)**	(342,374)
Prepayments	**(1,080)**	1,164
Convertible notes	**9,653**	-
Other	**-**	2,147
Unrealised foreign exchange gain	**147,950**	54,302
Deferred tax assets		
Difference in accounting and tax depreciation	**(90,740)**	154,450
Stock	**(274,151)**	-
Accruals	**(6,450)**	(510)
Provisions	**215,041**	(15,906)
Unrealised foreign exchange losses	**(69,323)**	32,549
Unrealised foreign exchange gains	**-**	-
Other	**(193,789)**	(653,594)
Tax losses	**(617,232)**	(29,381)
Deferred tax (income)/expense	**(1,421,382)**	(797,206)

For details of the franking account, refer to Note 19.

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
5. EARNINGS /(LOSS) PER SHARE	**$**	$
Basic earnings/(loss) per share (cents per share)	**(0.81)**	0.68
Diluted earnings per share (cents per share)	**N/A**	0.67

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

Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	**271,638,917**	206,854,705
Adjustments for calculation of diluted earnings per share: Employee Share Plan shares	**N/A**	3,855,060
Weighted average number of potential ordinary shares outstanding during the period used for calculation of diluted earnings per share	**N/A**	210,709,765

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 Consolidated Group.

Ordinary shares issued to employees under the Employee Share Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive.

	2013	2012
	$	$
6. CASH AND CASH EQUIVALENTS		
Cash at bank	**1,767,156**	2,127,414
	1,767,156	2,127,414

Interest rate risk exposure

The Group's exposure to interest rate risk is disclosed in note 33. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash not available for use

The Group has cash held as a guarantee as part of their obligations under their lease agreement totalling $106,441 (2012; $104,799).

7. TRADE & OTHER RECEIVABLES

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
CURRENT		
Trade receivables	**355,464**	68,024
Income tax receivable*	**-**	2,336,460
Sundry debtors & prepayments	**719,407**	930,770
	1,074,871	3,335,254

* 31 December 2012 includes $1,452,530 corporate tax refund, VAT refund of $176,809 from the Indonesian Taxation Authority for 2007 tax overpayments, plus interest charges on overpayments of $707,121.

(a) Impaired trade receivables

There were no impaired trade receivables for the group during the period ended 30 June 2013 or 31 December 2012.

(b) Past due but not impaired

As at 30 June 2013, trade receivables of $220,576 (2012: $16,831) were past due but not impaired in the Group. Within the Group these relate to a small number of independent customers for whom there is no recent history of default. Given the past history with this customer no impairment has been recognised in the financial period. The ageing analysis of these trade receivables is as follows:

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Up to one month	**143,378**	10,196
2-3 months	**23,002**	3,397
3 months and above	**54,196**	3,238
	220,576	16,831

The other classes within trade and other receivables do not contain impaired assets other than those disclosed and are not past due.

(c) Other receivables

These amounts generally arise from transactions outside the normal operating activities of the Group. Collateral is not normally obtained.

7. TRADE AND OTHER RECEIVABLES (CONT.)

(d) Foreign exchange and interest rate risk

The Group's exposure to interest rate risk and foreign exchange risk in relation to trade and other receivables is disclosed in note 33.

(e) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 33 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013	31 Dec 2012
	$	$
Derivative financial assets		
Forward foreign exchange contracts	**-**	181,327
Derivative financial liabilities		
Forward foreign exchange contracts	**14,479**	-
Convertible notes	**390,148**	-
	404,627	-

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge a proportion of the exposure to fluctuations in foreign exchange rates in accordance with the Groups financial risk policies (refer note 33).

Derivative financial assets and liabilities comprise forward exchange contracts and an embedded derivative in the convertible note agreements (refer to note 13 for convertible note terms). Gains and losses arising from changes in fair value of foreign exchange hedging contracts and convertible notes are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The Groups operating expenses mainly consist of materials and services purchased in Indonesian Rupiah. In order to protect against exchange rate movements, during the year ended 31 December 2012 the Group had entered into forward exchange contracts to purchase Indonesian Rupiah during the year. During the period ended 30 June 2013 the Group did not enter into any forward exchange contracts to purchase Indonesian Rupiah. In addition the sale of pearls is denominated in Japanese Yen and so the Group has entered into forward exchange contracts and options to sell Japanese Yen and receive Australian Dollars.

See note 1.13 for details of accounting policy in relation to derivatives.

(b) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 33.

9. INVENTORIES

	30 June 2013	31 Dec 2012
	$	$
CURRENT		
Pearls – at fair value	**2,454,602**	1,742,005
Essential oil finished products – at cost	**1,140,927**	-
Other – at cost		
Jewellery	**3,010,595**	2,495,533
Pearl Meat	**46,464**	4,273
Mother of Pearl	**160,268**	98,215
Farm Consumables & Fuel	**302,934**	292,883
	3,520,261	2,890,904
	7,115,790	4,632,909
NON CURRENT		
Nuclei – at cost	**223,399**	176,936
TOTAL INVENTORY	**7,339,189**	4,809,845

Inventories write-off expense of $1,730,273 (2012: 3,869,375) is included within other expenses in the statement of profit or loss and other comprehensive income. Write-off of pearls occurred when reviewing net realisable value versus cost.

10. BIOLOGICAL ASSETS

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

During the six month ended 30 June 2013 no significant events occurred which impacted on oyster mortalities.

In November 2012, Atlas incurred a loss of 19,701 seeded oysters in transport with a total loss incurred of $121,372. This is the second mortality event from transportation that the Company has experienced. Management believes that similar to the incident experienced in November 2011 when 32,000 seeded oysters died in transport that the incident is due to a toxic substance or algae bloom.

In October 2012, Atlas incurred a loss of 24,024 seeded oysters when what is thought to be a whale, swam into lines at the farm in Alor. The total loss incurred was $154,321.

10. BIOLOGICAL ASSETS (CONT.)

The details of the Biological Assets that are held by the Group as at period end are as follows:

Nature:- Oysters (*Pinctada Maxima*)

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
	No.	No.
Quantity held within the Group operations:-		
Juvenile and mature oysters which are not seeded	**1,276,824**	1,086,313
Nucleated oysters	**696,030**	781,321
	1,972,854	1,867,634

During the period ended 30 June 2013, the Group harvested approximately 109,037 (2012: 282,949) pearls. A reconciliation of the movement in the fair market value of the oysters during the period is reflected as follows:

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
Oysters	**$**	$
Carrying amount at beginning of the period	**16,434,545**	17,451,016
Value of new juvenile oysters recognised into stock	**1,414,911**	1,622,948
Increase in value of stock from change in pearl oyster development	**3,210,849**	11,321,798
Decrease in value through mortality	**(1,733,834)**	(5,171,002)
Decrease in value of Agriculture asset from harvest of pearls	**(2,926,974)**	(8,305,702)
Gain/(Loss) from changes to fair value less estimated husbandry costs	**(735,322)**	751,169
Exchange adjustment	**1,358,206**	(1,235,682)
Carrying amount at end of the period	**17,022,381**	16,434,545

Sensitivity analysis - Oysters

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 husbandry costs. The primary assumptions used for this estimate are shown in Note 1.33. The following table summarises the potential impact of changes in the key non-production related variables:

	Selling Price (¥/momme)		
	-10% ¥7,425 (Sellable Grade) ¥1,473 (Commercial Grade)	**No Change ¥8,250 (Sellable Grade) ¥1,637 (Commercial Grade)**	**+10% ¥9,075 (Sellable Grade) ¥1,801 (Commercial Grade)**
Discount rate	**Profit $**	**Profit $**	**Profit $**
22%	($2,134,269)	($212,662)	$1,708,935
20%	($1,949,421)	-	$1,949,412
18%	($1,758,537)	$219,630	$2,197,788

10. BIOLOGICAL ASSETS (CONT.)

Sensitivity analysis – Oysters (Cont.)

	Selling Price (¥/momme)		
	-10% ¥7,425 (Sellable Grade) ¥1,473 (Commercial Grade)	No Change ¥8,250 (Sellable Grade) ¥1,637 (Commercial Grade)	+10% ¥9,075 (Sellable Grade) ¥1,801 (Commercial Grade)
FX rate	**Profit $**	**Profit $**	**Profit $**
¥100.80	($3,568,783)	($1,800,005)	($29,809)
¥91.64	($1,949,421)	-	$1,949,412
¥82.48	$36,579	$2,206,668	$4,376,746

The Group is exposed to financial risk in respect of its involvement in primary production which consists of the breeding and rearing of oysters for the purpose of producing pearls. The primary financial risk associated with this activity occurs due to the length of time between the expenditure of cash in relation to the operation of the farm and the harvesting of the pearls and realisation of cash receipts from the sales to third parties. The Group ensures that it maintains sufficient working capital to ensure that it can sustain its operation through any delays in cash flow that may be reasonably foreseen.

Sensitivity analysis - Crops

The mark to market estimation of the value of the biological assets (Crops) is determined using the net present value of expected future net cash flows attributed to this inventory less the estimated husbandry costs. The primary assumptions used for this estimate are shown in Note 1.33. The following table summarises the potential impact of changes in the key non-production related variables:

	Boronia		
	Farm Gate Price		
	-10% $2,250/kg	No Change $2,500/kg	+10% $2,750/kg
Discount rate	**Profit $**	**Profit $**	**Profit $**
3.3 – 6.6%	(111,246)	(89,656)	(68,067)
3 – 6%	(34,166)	-	34,160
2.7% - 5.4%	118,979	178,497	238,013

	Lavender		
	Farm Gate Price		
	-10% $270/kg	No Change $300/kg	+10% $330/kg
Discount rate	**Profit $**	**Profit $**	**Profit $**
3.3 – 6.6%	(26,462)	(2,575)	23,313
3 – 6%	(24,191)	-	24,198
2.7% - 5.4%	(21,863)	2,645	27,156

The Group is exposed to financial risk in respect of its involvement in primary production which consists of the tending to crops the purpose of producing essential oils. The primary financial risk associated with this activity occurs due to the length of time between the expenditure of cash in relation to the operation of the farm and the harvesting of the crops and realisation of cash receipts from the sales to third parties. The Group ensures that it maintains sufficient working capital to ensure that it can sustain its operation through any delays in cash flow that may be reasonably foreseen.

11. PROPERTY, PLANT AND EQUIPMENT

		6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
(a)	Non-Pearling Assets		
	Plant and equipment		
	- at cost	**1,818,830**	865,893
	- accumulated depreciation	**(899,219)**	(308,068)
		919,611	557,825
	Leasehold improvements		
	- at cost	**944,630**	909,273
	- accumulated depreciation	**(252,391)**	(206,875)
		692,240	702,398
	Total non-pearling assets	**1,611,851**	1,260,223
(b)	Pearling project		
	Land (leasehold and freehold) and buildings		
	- at cost	**1,126,188**	962,254
	- accumulated depreciation	**(200,644)**	(165,281)
		925,544	796,973
	Plant and equipment, vessels, vehicles		
	- at cost	**4,786,972**	4,362,779
	- accumulated depreciation	**(2,810,913)**	(2,379,227)
		1,976,059	1,983,552
	Total pearling project	**2,901,603**	2,780,525
	Total property, plant and equipment	**4,513,455**	4,040,748

Included in Pearling project land (leasehold and freehold) and buildings is $168,699 (2012 - $100,368) which represents construction of buildings in progress at cost.

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

(a)	Non-Pearling Assets		
	Plant and equipment		
	Carrying amount at beginning of the year	**557,825**	634,992
	Additions	**464,269**	46,369
	Reclassifications /Disposals	**-**	-
	Foreign exchange movement	**(4,731)**	3,420
	Depreciation	**(97,752)**	(126,956)
	Carrying amount at end of the year	**919,611**	557,825
	Leasehold Improvements		
	Carrying amount at beginning of the year	**702,398**	732,974
	Additions	**11,792**	48,832
	Foreign exchange movement	**12,738**	(9,754)
	Reclassifications/Disposals	**-**	-
	Depreciation	**(34,688)**	(69,654)
	Carrying amount at end of the year	**692,240**	702,398

11. PROPERTY, PLANT AND EQUIPMENT (CONT.)

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
(b) Pearling project		
Leasehold land and buildings		
Carrying amount at beginning of the year	**796,974**	719,775
Additions	**79,950**	174,831
Acquisition of pearling operation	**-**	-
Disposals/reclassifications	**(114)**	(7,943)
Depreciation	**(21,189)**	(34,618)
Foreign exchange movement	**69,923**	(55,072)
Carrying amount at end of the year	**925,544**	796,973
Plant and equipment, vessels, vehicles		
Carrying amount at beginning of the year	**1,983,552**	1,919,659
Additions	**60,184**	619,351
Acquisition of pearling operation	**-**	-
Disposals / reclassifications	**(1,427)**	-
Depreciation	**(219,045)**	(413,121)
Foreign exchange movement	**152,795**	(142,337)
Carrying amount at end of the year	**1,976,059**	1,983,552
Total Carrying amount	**4,513,454**	4,040,748

Reconciliation of depreciation to the Statement of Profit of Loss and Other Comprehensive Income:

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Depreciation charge (Note 11)	**(372,674)**	(644,349)
Capitalised depreciation charge	**236,514**	428,827
	(136,160)	(215,522)
Depreciation charge (Note 3)	**(136,160)**	(215,522)
Balance	**-**	-

Refer note 33 for information on non-current assets pledged as security by the Group.

12. TRADE AND OTHER PAYABLES

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
CURRENT		
Trade payables	**559,092**	255,291
ESSP accrual*	**18,883**	79,500
Other payables and accrued expenses	**1,751,249**	1,814,171
	2,329,224	2,148,962

* $56,000 of the ESSP accrual above is for shares salary sacrificed by Stephen Birkbeck ($50,000) and his daughter Kristie Birkbeck ($6,000) during the year ended 31 December 2012 under the Atlas South Sea Pearl Employee Share Plan.

(a) Amounts not expected to be settled within the next 12 months

Other payables includes accruals for annual leave of $933,945 and $1,125,964 in the consolidated entity for 30 June 2013 and 31 December 2012 respectively. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. All amounts are expected to be settled within the next 12 months.

(b) Risk Exposure

Information about the Groups exposure to foreign exchange risk is provided in note 33.

13. BORROWINGS

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

(a) Security and fair value disclosure

Information about the security relating to secured liabilities and the fair value is provided in note 33.

(b) Risk Exposure

Information about the Group's exposure to risks arising from borrowings is provided in note 33.

13. BORROWINGS (CONT.)

During the reporting period Atlas issued new Convertible Notes for a total value of $1,100,000. The Convertible Notes have a maturity date of 2 years after issue (therefore maturing between January and June 2015), attract an interest rate of 6% payable six monthly in arrears and are redeemable for ordinary shares in Atlas at any time during the 10 Business Days prior to the first anniversary of the Issue Date for the Convertible Notes; or the Maturity Date of the Convertibles Notes, or such other period as agreed in writing between the Company and the Noteholder. If the Noteholder exercises its conversion right, the Company must comply by redeeming all of the convertibles notes referred to in the Conversion Notice at their Face Value; and applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Noteholder at a price per Conversion Share equal to the lower of: 5 cents or 90% of the 10 day volume weighted average.

14. TAX

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
(a) Liabilities	**$**	$
CURRENT		
Income tax payable	**234,884**	368,091
NON-CURRENT		
Deferred tax liabilities comprises temporary differences attributable to -		
Agricultural and biological assets at fair value	**1,324,075**	1,865,336
Prepayments	**2,147**	2,147
Accrued interest income	**-**	-
Convertible notes	**9,653**	
Other	**84**	1,164
Unrealised foreign exchange gains	**208,611**	61,596
Total deferred tax liabilities	**1,544,570**	1,930,243

(b) Assets

Deferred tax assets comprises temporary differences attributable to -		
Tax allowances relating to property, plant & equipment	**1,059**	(89,681)
Agricultural and biological assets at fair value	**1,188,341**	914,190
Accruals	**24,300**	17,850
Provisions	**82,912**	298,888
Impairment of assets	**-**	-
Unrealised foreign exchange losses	**82,589**	13,266
Other	**205,540**	11,750
	1,584,741	1,166,263
Tax losses recognised	**1,351,888**	734,656
Total deferred tax assets	**2,936,629**	1,900,919

14. TAX (CONT.)

The Company believes that the deferred tax asset relating to tax losses recognised is available to be carried forward based upon the Company's projections of future taxable amounts.

(c) Reconciliations

The overall movement in deferred tax account is as follows:		
Opening balance	**(29,323)**	(826,529)
(Charge)/credit to statement of profit or loss and other comprehensive income	**1,421,382**	797,206
Other movements	**-**	-
Closing balance	**(1,392,059)**	(29,323)

15. PROVISIONS

	30 June 2013	31 Dec 2012
	$	$
CURRENT		
Employee benefits	**92,037**	1,805
Total current provisions	**92,037**	1,805
Number of employees	**807**	840

Employee benefits provisions have been recognised in relation to long service leave for Australian and expatriate employees. The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount presented as non-current represents amounts where an agreement is in place to pay the entitlements over a period of time longer than the next 12 months.

Reconciliation of provisions:		
Balance at beginning of period	**1,805**	23,399
Provision used	**-**	(21,594)
Unused provisions reversed	**(1,746)**	-
Provisions added	**91,978**	-
Closing balance	**92,037**	1,805

	2013	**2012**	**2013**	**2012**
	No. of shares	**No. of shares**	**$**	**$**
16. CONTRIBUTED EQUITY				
Issued and fully paid-up capital	**281,737,162**	229,171,072	**30,203,033**	27,610,085
Ordinary Shares				
Balance at beginning of period	**229,171,072**	140,958,097	**27,610,085**	23,287,552
Shares issued (1)(2)(3)(4)(5)(6)(7)(10)(11)	**52,566,090**	88,212,975	**2,592,948**	4,322,533
Balance at end of period	**281,737,162**	229,171,072	**30,203,033**	27,610,085
Treasury Shares				
Balance at beginning of period	**7,964,000**	1,900,000		
Acquisition of shares by Trust under Plan (8)	**2,931,616**	6,064,000		
Shares released	**(5,594,000)**	-		
Balance at end of period	**5,301,616**	7,964,000		

16. CONTRIBUTED EQUITY (CONT.)

(1) Atlas undertook a rights issue which closed on 18th of January 2013.

(2) On 15 January 2013, 10,000,000 fully paid ordinary shares were issued at an issue price of $0.05 as consideration of all of the shares in Essential Oils of Tasmania Pty Ltd, as announced by the Company on 22 October 2012 and ratified at the 2012 AGM.

(3) On 15 January 2013, 3,333,334 fully paid ordinary shares were issued to extinguish the existing debt in Essential Oils of Tasmania and increase the Group's working capital balance. The 3,333,334 fully paid ordinary shares were issued at an issue price of $0.05 and rank equally with the Company's existing issued shares.

(4) On 29 January 2013 the Company issued 30,240,735 fully paid ordinary shares at an issue price of $0.05 each and 30,240,735 free attaching options were issued to raise $1,512,037 before costs. The shares rank equally with the Company's existing issued shares. The unlisted options are exercisable at $0.05 each on or before 29 January 2014.

(5) On 1 March 2013, 1,116,800 shares at an issue price of $0.05 each were issued to sophisticated investors as part of the rights issue shortfall.

(6) On 1 March 2013, 103,709 shares were issued at an issue price of $0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.

(7) On 1 March 2013, 833,333 shares were issued at an issue price of $0.06 each to Abermac Pty Ltd the former owner of Essential Oils of Tasmania, as remuneration for continued services provided in the financial period.

(8) On 15 March 2013, 2,931,616 fully paid ordinary shares were issued to the Atlas South Sea Pearl Employee Share Trust pursuant to the Company's Employee Share Sacrifice Share Plan, as approved by shareholders at the Annual General Meeting held on 30 May 2012.

(9) On 15 March 2013, 1,116,800 free attaching options were issued in relation to the 1,116,800 fully paid ordinary shares issued on 1 March 2013.

(10) On 17 April 2013, 1,336,179 shares at an issue price of $0.05 and 1,336,179 free attaching options were issued to sophisticated investors as part of the rights issue shortfall.

(11) On 17 April 2013, 8,000 shares were issued at an issue price of $0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.

(ii) Rights

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders (where applicable) and creditors and are fully entitled to any proceeds of liquidation in proportion to the number of shares held.

Treasury shares are shares in Atlas Pearls and Perfumes Ltd 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.

(iii) Share Buyback

The share buy-back has been terminated as at the date of this report and no shares had been bought back during the financial period ended 30 June 2013 or 31 December 2012.

16. CONTRIBUTED EQUITY (CONT.)

(iv) Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group has no external requirements imposed upon it in relation to capital structure except those noted in note 33 as part of the covenants relating to the financing arrangements with Commonwealth Bank and has no set gearing ratios upon which to monitor its capital.

17. RESERVES

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
Foreign Currency Translation Reserve	**(7,866,003)**	(9,047,651)
Employee Share Reserve	**581,029**	581,029
Total Reserves	**(7,284,974)**	(8,466,622)
Movements :		
Foreign Currency Translation Reserve -		
Balance at beginning of period	**(9,047,651)**	(7,251,866)
Currency translation differences arising during the period	**1,181,648**	(1,795,785)
Balance at end of period	**(7,866,003)**	(9,047,651)
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the reporting currency.		
Employee Share Reserve -		
Balance at beginning of period	**581,029**	581,029
Movement in Employee Share Reserve	**-**	-
Balance at end of period	**581,029**	581,029

The employee share reserve records the value of equity portion of remuneration paid to employees in the form of shares or other equity instruments.

18. RETAINED PROFITS

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
	$	$
Reconciliation of retained earnings/(Accumulated losses):		
Balance at beginning of period	**5,073,255**	3,667,105
Net profit/(loss) for the period	**(2,194,645)**	1,406,150
Movement in equity distribution account	**-**	-
Dividends paid	**-**	-
Balance at end of period	**2,878,610**	5,073,255

19. DIVIDENDS

No dividends have been paid or declared in respect of the 2012 financial year or the period ended 30 June 2013.

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 30%.	**1,278,704**	1,278,704

The above amounts represent the balance of the franking account as at the end of the financial period adjusted for:

(i) Franking credits that will arise from the payment of the amount of the provision for income tax;
(ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

20. OPTIONS

The Company had 32,582,005 options granted over unissued shares at the 30 June 2013 (31 December 2012 – nil). As part of the rights issue on 18 January 2013 a total of 30,240,735 unlisted options expiring 29 January 2014 exercisable at $0.05 each were issued pursuant to the Company's non-renounceable entitlements Prospectus dated 16 November 2012. An additional 2,452,979 options were issued when the shortfall was taken up in March and April 2013. Options exercised during the six months ended 30 June 2013 totalled 111,709.

21. COMMITMENTS

	2013	2012
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**375,737**	313,321
Later than one year, but not later than five years	**1,976,866**	1,815,717
Later than five years	**710,794**	998,372
	3,063,397	3,127,410

Non - cancellable operating leases
The Group leases premises under non-cancellable operating leases expiring in 8 years. On renewal the terms of the leases are renegotiated.

There are no capital commitments in place in relation to the acquisition of property, plant and equipment. Fixed assets are replaced in the normal course of business operations and the company does not anticipate any material capital outlay for such replacement costs in the coming year.

22. CONTINGENCIES

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

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

23. SHARE BASED PAYMENTS

In May 2006, an employee share plan was established which entitles the Board of Directors to offer shares to key management personnel within the Group. A total of 1,100,000 shares were issued during 2007 to six (6) employees including the managing director at a price of 40 cents per share which was a one (1) cent and eight (8) cent discount to the market at the dates of issue being 17th April 2007 and 10th May 2007 respectively. An interest free, non-recourse loan was provided to the key management staff to pay for these shares. This loan will be repaid by the employees from the proceeds of dividends that they are entitled to from the ownership of the shares. 50% of the shares vested to the employees after two (2) years employment from the time of issuing the shares and the remaining 50% vested to the employees after they have completed three (3) years of employment from the time of issuing the shares. Employees are only entitled to the shares if the loan is repaid in full.

1,900,000 shares remain on issue as at 30 June 2013 with debt of $428,500 outstanding by employees from the initial loan of $1,063,500 that was made when the shares were allocated to employees. Refer note 25 for details of equity held and loans outstanding to Key Management Personnel.

Shares issued to the employees are acquired and held in trust for the employees. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements.

The fair value of shares issued under the scheme is independently determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the share, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share.

The shares rank equally with other fully paid ordinary shares.

Where shares are issued to employees of subsidiaries of the Group, the transactions are treated in accordance with the accounting policy at note 1.16.

At the company's annual general meeting in May 2007, shareholders approved the allocation of a maximum of 4,000,000 shares to senior executives under the employee share plan within three years of the approval of the plan. No shares were issued in the current year under this allocation.

There were no shares issued under the plan in 2011. In 2012 the plan was replaced with a new Employee Salary Sacrifice Share Plan and Non-Executive Director Fee Salary Sacrifice Share Plan.

23. SHARE BASED PAYMENTS (CONT.)

At the AGM on the 30 May 2012 it was resolved to cease issuing Shares under this existing Employee Share Loan Plan that was approved by Shareholders at the Company's annual general meeting in May 2006.

This existing Employee Share Loan Plan was replaced by a new Employee Salary Sacrifice Share Plan and Non-Executive Director Plan at the AGM on the 30 May 2012.

The Atlas Employee Salary Sacrifice Share Plan
On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. On the 29th of June 2012 506,000 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at $0.055 per share. Also, on the 4th of September 2012 5,814,000 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at $0.05 per share.

On 15 March 2013 a further 2,931,616 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at $0.05 per share.

During the period ended 30 June 2013, 5,594,000 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees.

Of the 5,594,000 shares issued out of the trust, 300,000 shares were issued to employees who did not salary sacrifice shares but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was $15,000.

Under the Salary Sacrifice Plan, the Company agrees to issue Shares to Eligible Employees, in lieu of the amount of remuneration that each Eligible Employee has agreed to sacrifice from their monthly remuneration.

To participate in the Salary Sacrifice Plan, Eligible Employees are required to salary sacrifice a minimum of 10% of their annual base salary into Shares. There is no maximum percentage or value cap to the amount that each Eligible Employee can sacrifice.

The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time by the Board of Directors (in their discretion). For the participants who entered into conditional salary sacrifice arrangements before the AGM on the 30th of May 2012, the issue price per Share is 5 cents.

The Employee Share Plan is open to Eligible Participants being any Eligible Employee; or conditional upon the company obtaining any necessary ASIC relief to extend the operation of ASIC Class Order 03/184 (or similar class order) to them:

i. any Eligible Contractor; or
ii. Eligible Casual Employee,

Who is declared by the Board to be an Eligible Participant for the purposes of the Plan.

An Eligible Employee means: a full time or part time employee (including an executive director) of a Group Company.

An Eligible Contractor means:
(a) An individual that has:
   i. Performed work for a Group Company, for more than 12 months; and
   ii. Received 80% of more of their income in the preceding year from a Group Company; or
(b) A company where each of the following are satisfied in relation to the company:
   i. Throughout the previous 12 months the company has had a contract in place with a Group Company, for the provision of the services of an individual (contracting individual) to a Group Company;
   ii. The contracting individual has performed work for a Group Company, for more than 12 months;

23. SHARE BASED PAYMENTS (CONT.)

iii. The contracting individual has been the only member for the company for more than 12 months; and;
iv. More than 80% of the aggregate income of the company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received form a Group Company.

The Board may determine the terms and conditions of the Salary Sacrifice arrangement for which Shares are offered in lieu of that Remuneration.

The number of Shares to be issues, transferred or allocated to the Trustee to be held on behalf of a Participant will be the dollar amount of the Salary Sacrifice divided by the issue price per Share outlined in the Invitation. In the case of fractional entitlements, the number of Shares to be issue, transferred or allocated to the Trustee to be held on behalf of a Participant will be rounded up to the nearest whole Share, unless otherwise determined by the Board from time to time.

Shares to be acquired by Eligible Participants under the Salary Sacrifice plan are held in the trust until such time that the Shares are fully paid for. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. As at 30 June 2013 5,594,000 of the shares issued to the Atlas South Sea Pearl Limited Employee Share Trust had been issued to Eligible Participants (31 December 2012 – 256,000 shares).

The shares rank equally with other fully paid ordinary shares.

Where shares are issued to employees of subsidiaries of the Group, the transactions are treated in accordance with the accounting policy at note 1.16.

The Atlas Non-Executive Director Fee Sacrifice Share Plan
On the 26 June 2012 828,000 shares were issued into the Atlas South Sea Pearl Limited Non-Executive Director Trust at $0.05 per share. A further 250,000 shares were issued on the 4 September 2012 into the Atlas South Sea Pearl Limited Non-Executive Director Trust at $0.05 per share. As at 30 June 2013 200,000 of the 250,000 shares issued to the NED trust have been issued to eligible participants.

The Non-Executive Director Salary Sacrifice Share Plan is open to Eligible Participants, being any Non-Executive Director who is declared by the Board to be an Eligible Participant for the purpose of the Plan.

The Company's Non-Executive Directors will receive a portion of their Director's fee in the form of Shares.
The Company agrees to issue or procure the transfer of Shares to eligible Non-Executive Directors, in lieu of the amount of Directors' fees that each eligible Non-Executive Director has agreed to sacrifice from their monthly Directors' fees each financial year.

The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time by the Board of Directors (in their discretion). For the participants who entered into conditional salary sacrifice arrangements before the AGM on the 30th of May 2012, the issue price per Share is 5 cents.

Total shares issued to directors during the period under the NED fee sacrifice share plan is 200,000 for a fair value of $10,000. Total shares issued to directors during the year ended 31 December 2012 is 828,000 shares at a fair value of $45,540.

Refer to Note 16 for movement in share plan, under treasury shares.

23. SHARE BASED PAYMENTS (CONT.)

Other Share Based Payments

On 15 January 2013, 10,000,000 fully paid ordinary shares were issued at an issue price of $0.05 as consideration of all of the shares in Essential Oils of Tasmania Pty Ltd, as announced by the Company on 22 October 2012 and ratified at the 2012 AGM.

On 15 January 2013, 3,333,334 fully paid ordinary shares were issued to extinguish the existing debt in Essential Oils of Tasmania ($166,000) and increase the Group's working capital balance. The 3,333,334 fully paid ordinary shares were issued at an issue price of $0.05 and rank equally with the Company's existing issued shares.

On 1 March 2013, 833,333 shares were issued at an issue price of $0.06 each to Abermac Pty Ltd the former owner of Essential Oils of Tasmania, as remuneration for continued services provided in the financial period.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
	$	$
Shares issued under the employee share plan	-	-
	-	-

The share based payment expenses arising from the salary sacrifice share plan is nil as the plan does not give additional benefit to the employees as shares are issued in lieu of cash salary and cash bonus. The value of the shares originally issued to the trust is at the value sacrificed by the employee under the plan.

24. NOTES TO THE CASH FLOW STATEMENT

24.1 Reconciliation of cash

For the purposes of the statement of cashflows, cash includes cash on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cashflows is reconciled to the related items in the Statement of Financial Performance as follows:

	2013	2012
	$	$
Cash at bank (Note 6)	**1,767,156**	2,127,414
Balances per statement of cashflows	**1,767,156**	2,127,414

24. NOTES TO THE CASH FLOW STATEMENT (CONT.)

24.2 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Profit/(loss) after income tax	**(2,194,645)**	1,406,150
Depreciation and amortisation	**136,160**	643,522
Gains/(Losses) on Equity Investments	**273,781**	83,154
Share based payments	**65,000**	395,534
Gain on sale of intangible	**-**	(163,627)
Gain on extinguishment	**(33,333)**	-
Foreign exchange gains/(losses) unrealised	**(690,139)**	(73,893)
Inventory revaluations gains/(losses)	**15,705**	28,739
Derivative instrument gains/(losses) unrealised	**(32,177)**	(327,777)
Gain on bargain	**(59,911)**	
Agricultural asset fair value gains/(losses) and inventory write-offs	**2,907,779**	3,393,899
Provision for dividend	**(260,785)**	-
Change in operating assets (net of impairment form purchase of controlled entity)		
Decrease in trade and other debtors	**234,162**	(248,895)
Decrease in other assets	**85,978**	(2,971,184)
(Increase) in inventories	**(2,238,868)**	(2,025,148)
Increase in trade and other creditors	**64,556**	148,757
(Decrease) in Provision	**(101,787)**	299,529
Increase in taxes	**683,257**	(284,813)
Net cash provided by/(used in) operating activities	**(1,145,267)**	(303,946)

As at the date of this report the Company has not entered into any non-cash financing or investing activities except as follows:

During the period ended 30 June 2013, the Company did not enter any new loans to acquire property, plant and equipment. The Company did enter into the following non-cash transactions in acquiring Essential Oils of Tasmania Ltd on the 15 January 13:

- On 15 January 2013, 10,000,000 fully paid ordinary shares were issued at an issue price of $0.05 as consideration of all of the shares in Essential Oils of Tasmania Pty Ltd, as announced by the Company on 22 October 2012 and ratified at the 2012 AGM. The total value of the shares issued was $500,000.
- On 15 January 2013, 3,333,334 fully paid ordinary shares were issued to extinguish the existing debt in Essential Oils of Tasmania and increase the Group's working capital balance. The 3,333,334 fully paid ordinary shares were issued at an issue price of $0.05 and rank equally with the Company's existing issued shares. The total value of the shares issued was $166,667.
- On 1 March 2013, 833,333 shares were issued at an issue price of $0.06 each to Abermac Pty Ltd the former owner of Essential Oils of Tasmania, as remuneration for continued services provided in the financial period. The total value of the shares issued was $50,000.

Also, during the period ended 30 June 2013, 5,594,000 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees. Of the 5,594,000 shares issued out of the trust, 300,000 shares were issued to employees who did not salary sacrifice shares but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was $15,000. The total value of the other shares transferred from the trust to employees was $264,700.

During the year ended 31 December 2012, the Company did not enter any new loans to acquire property, plant and equipment. During the year ended 31 December 2012, the Company did not issue any ordinary shares to acquire any new investments.

24.3 Credit facilities

As at 30 June 2013, the Company had in place a loan facility with the Commonwealth Bank with a limit of $5,000,000. This facility has been partially utilised, see note 33 for further disclosure. Information about the security relating to secured liabilities and the fair value is provided in note 33.

25. KEY MANAGEMENT PERSONNEL DISCLOSURE

a. Key management personnel compensation -

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
	$	$
Short-term employment benefits	**419,758**	1,027,299
Post-employment benefits	**19,414**	77,287
Long–term benefits	**-**	21,595
	439,172	1,126,181

Detailed remuneration disclosures are provided in section 4.2 of the remuneration report on pages 11 to 12.

b. Equity instrument disclosures relating to key management personnel

i. Options and rights granted as compensation

No options were issued to key management personnel as remuneration during the period ended 30 June 2013 or 31 December 2012.

ii. Option holdings

There were no options on issue to key management personnel during the period ended 30 June 2013 or 31 December 2012.

c. Loans to key management personnel

Details of loans made to directors of the company and other key management personnel of the Group under the Employee Salary Sacrifice Plan, including their personally related parties, are set out below.

i. Aggregates for key management personnel

Group	Balance at the start of the period $	Loans provided during the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	No in Group at the end of the period
30 Jun 2013	375,000	-	-	6,864	375,000	2
31 Dec 2012	375,000	-	-	11,250	375,000	2

25. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONT.)

c. Loans to key management personnel (cont.)

ii. Individuals with loans above $100,000 during the financial year

30 Jun 2013 Name	Balance at the start of the period $	Loans provided during the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	Highest indebted-ness during the period $
J. Taylor*	263,000	-	-	4,787	263,000	263,000
S. Adams*	112,000	-	-	2,077	112,000	112,000
	375,000	-	-	6,864	375,000	375,000

31 Dec 2012 Name	Balance at the start of the year $	Loans provided during the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebted-ness during the year $
J. Taylor*	263,000	-	-	7,890	263,000	263,000
S. Adams*	112,000	-	-	3,360	112,000	112,000
	375,000	-	-	11,250	375,000	375,000

All loans to key management persons are under terms and conditions as set out in note 23 relating to the employee share plan.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the period and the amount of interest that would have been charged on an arms length basis.

*These loans have been provided for in a prior period.

25. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONT.)

d. Shareholdings

The number of shares in the company held during the financial period by each director of the company and the other key management personnel of the Group, including their personally related parties, are set out below.

Details of shares that were granted as compensation during the reporting period are provided at note 23 and in the Remuneration Report contained at section 4 of the Directors' Report.

	Balance 1/1/13	**Options Exercised**	**Other Changes [1]**	**Balance 30/06/13**
Parent Entity Directors				
Mr S.P. Birkbeck	**30,090,855**	**-**	**7,018,172**	**37,109,027**
Mr J.J.U. Taylor	**1,400,000**	**-**	**-**	**1,400,000**
Mr G. Newman	**1,283,295**	**-**	**128,000**	**1,411,295**
Mr T. Martin [2]	**-**	**-**	**16,628,145**	**16,628,145**
Other key management personnel				
Mr J. Jorgensen	**124,400**	**-**	**500,000**	**624,400**
Mr S. Gleeson	**2,500,000**	**-**	**600,000**	**3,100,000**
Mr C. Triefus	**875,000**	**-**	**340,000**	**1,215,000**
	36,273,550	**-**	**25,214,317**	**61,487,867**

(1) Other changes refers to shares purchased or sold during the financial period. Removal of balance on resignation of directors or balance held at appointment of Directors.

(2) Director appointed in the financial period.

	Balance 1/1/12	**Options Exercised**	**Other Changes [1]**	**Balance 31/12/12**
Parent Entity Directors				
Mr S.P. Birkbeck	17,155,581	-	12,935,274	30,090,855
Mr J.J.U. Taylor	1,220,000	-	180,000	1,400,000
Mr S.C.B. Adams [2]	666,666	-	766,000	1,432,666
Mr G. Newman	400,000	-	883,295	1,283,295
Other key management personnel				
Mr J. Jorgensen	2,000	-	122,400	124,400
Mr S. Gleeson [3]	-	-	2,500,000	2,500,000
Mr J. Folan [2]	-	-	-	-
Mr C. Triefus	775,000	-	100,000	875,000
	20,219,247	-	17,486,969	37,706,216

(1) Other changes refers to shares purchased or sold during the financial period.

(2) Director/KMP retired or resigned in the financial period.

(3) KMP appointed in the financial period.

25. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONT.)

e. Option holding

The number of options over ordinary shares in the parent entity held during the six months ended 30 June 2013 by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 1/1/13	Granted	Exercised	Expired/ forfeited/other	Balance 30/06/13
Parent Entity Directors					
Mr S.P. Birkbeck	**-**	**6,018,172**	**-**	**-**	**6,018,172**
Mr J.J.U. Taylor	**-**	**-**	**-**	**-**	**-**
Mr G. Newman	**-**	**128,000**	**-**	**-**	**128,000**
Mr T. Martin (1)	**-**	**2,528,000**	**-**	**-**	**2,528,000**
Other key management personnel					
Mr J. Jorgensen	**-**	**-**	**-**	**-**	**-**
Mr S. Gleeson	**-**	**500,000**	**-**	**-**	**500,000**
Mr C. Triefus	**-**	**-**	**-**	**-**	**-**
	-	**9,174,172**	**-**		**9,174,172**

(1) Director appointed in the financial period

There were no options on issue during the year ended or as at 31 December 2012.

f. Other transactions

Key management personnel

I. During the six months ended 30 June 2013 none of the directors salary sacrificed into the Non Executive Director Fee Salary Sacrifice Share plan.

During the period, sales of individual pearls of small quantities were made to some staff and Directors on normal commercial terms.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group are:

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Amounts recognised as expense		
Research and development	**-**	13,000
Marketing consultancy	**-**	30,000
Amounts recognised as liability		
Payables	**-**	-

26. RELATED PARTY TRANSACTIONS

i. Subsidiaries

Interests in subsidiaries are set out in note 29.

ii. Joint venture

World Senses Pty Ltd was formed on the 29th November 2012 as a joint venture between Nomad Two Worlds Global Trading Pte Ltd and Atlas Pearls and Perfumes Ltd.

At 30 June 2013, there is loan balance of $258,851 owing from World Senses to Atlas. This balance consists of salary and administration recharges of $236,690, accounting charges of $7,579, pearl jewellery and loose pearls sold to World Senses for $11,173, freight recharges of $1,381 and other operating expenditure paid for by Atlas on behalf of World Senses totalling $2,028.

At 30 June 2013, there is loan balance of $55,075 owing from World Senses to Perl'Eco. This balance consists of pearl jewellery sold to World Senses for $77,148. This is offset by a balance of $22,073 which relates to a World Senses owned jewellery item sold by Perl'Eco.

No provisions for doubtful debts have been raised in relation to any outstanding balances during the period ended 30 June 2013 or 31 December 2012, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

iii. Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 25.

27. REMUNERATION OF AUDITORS

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2013	2012
	$	$
a. **BDO Australia**		
Audit and other assurance services		
Audit and review of financial reports	**74,765**	82,007
Total remuneration for audit and other assurance services	**74,765**	82,007
Taxation Services		
Tax compliance services and advise	**28,449**	54,119
Total remuneration for taxation services	**28,449**	54,119
Total remuneration of BDO Australia	**103,214**	136,126
b. **Related practices of BDO Australia**		
Audit and other assurance services		
Audit and review of financial reports	**-**	30,917
Total remuneration for audit and other assurance services	**-**	30,917
Taxation Services		
Tax compliance services and advise	-	-
Total remuneration for taxation services	-	-
Total remuneration of related practices of BDO Australia	**-**	30,917
Total remuneration of BDO Australia and related practices	**103,214**	167,043

28. SEGMENT REPORTING

(a) Segment information provided to the Board of Directors and management team

(i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 30 June 2013 is as follows:

30 June 2013	Wholesale Loose Pearl		Jewellery		Essential Oils	All other segments	Total
	Australia	Indonesia	Australia	Indonesia	Australia		
	$	$	$	$	$	$	$
Total segment revenue	1,875,635	4,357,536	204,863	399,257	503,076	-	**7,340,368**
Inter-segment revenue	-	(4,087,760)	-	-	-	-	**(4,087,760)**
Revenue from external customers	**1,875,635**	**269,776**	**204,863**	**399,257**	**503,076**	**-**	**3,252,608**
Normalised EBITDA	**(1,781,708)**	**1,355,106**	**(184,713)**	**(447,815)**	**(190,929)**	**-**	**(1,250,057)**
Adjusted net operating profit/(loss) before income tax	**(2,053,237)**	**991,165**	**(210,584)**	**(121,995)**	**(195,037)**	**-**	**(1,589,688)**
Depreciation and amortisation	59,204	26,116	22,427	23,460	4,953	-	**136,160**
Revaluation of Biological Assets	597,959	735,322	-	-	36,616	-	**1,369,897**
Totals segment assets	**8,064,039**	**20,266,417**	**990,205**	**1,088,218**	**2,532,429**	**-**	**32,941,308**
Total assets includes: Additions to non – current assets (other than financial assets or deferred tax)	7,476	14,879	140,134	12,256	441,450	-	**616,195**
Total segment liabilities	**(773,822)**	**(907,729)**	**(96,161)**	**(167,658)**	**645,092**	**-**	**(2,590,461)**

Included within the net operating profit for wholesale loose pearls in Indonesia is an impairment charge of $15,705 in relation to the impairment of oysters.

28. SEGMENT REPORTING (CONT.)

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 31 December 2012 is as follows:

31 Dec 2012	Wholesale Loose Pearl		Jewellery		Essential Oils	All other segments	Total
	Australia	Indonesia	Australia	Indonesia	Australia		
	$	$	$	$	$	$	$
Total segment revenue	9,037,383	7,435,048	796,131	1,135,233	-	-	**18,403,795**
Inter-segment revenue	-	(7,171,367)	-	-	-	-	**(7,171,367)**
Revenue from external customers	**9,037,383**	**263,681**	**796,131**	**1,135,233**	**-**	**-**	**11,232,428**
Normalised EBITDA	**(281,836)**	**2,835,128**	**(263,153)**	**(647,584)**	**-**	**-**	**1,642,554**
Adjusted net operating profit/(loss) before income tax	**(661,678)**	**3,404,437**	**(309,263)**	**(694,932)**	**-**	**-**	**1,738,563**
Depreciation and amortisation	109,713	18,638	39,218	47,953	-	-	215,523
Revaluation of Biological Assets	-	(751,169)	-	-	-	-	(751,169)
Totals segment assets	**6,450,385**	**19,093,198**	**1,445,489**	**2,285,023**	**-**	**-**	**29,274,096**
Total assets includes: Additions to non – current assets (other than financial assets or deferred tax)	30,354	794,183	2,246	62,601	-	-	**889,384**
Total segment liabilities	**702,112**	**1,141,771**	**104,542**	**199,606**	**-**	**-**	**2,148,032**

Included within the net operating profit for wholesale loose pearls in Indonesia is an impairment charge of $275,693 in relation to the impairment of oysters.

28. SEGMENT REPORTING (CONT.)

(b) Other segment information

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations in the statement of profit or loss and other comprehensive income as follows:

	6 Months Ending 30 June 2013	12 Months Ending 31 Dec 2012
	$	$
Total segment revenue	**7,340,368**	18,403,795
Intersegment eliminations	**(4,087,760)**	(7,171,367)
Interest income	**18,629**	916,881
Other revenues	**233,888**	155,447
Total revenue from continuing operations (note 2)	**3,505,125**	12,304,756

Major customers

A Japanese wholesaler accounted for 37% of external revenue in the six months to 30 June 2013 (12 months ended 31 December 2012 - 31%). These revenues are attributable to the Australian wholesale loose pearl segment.

The entity is domiciled in Australia. The result of its revenue from third party customers in Australia is $299,243 (12 months ended 31 Dec 2012: $ 1,081,412) in relation to wholesale loose pearl sales. Revenue for wholesale loose pearls from third party customers based in other countries during the six months to 30 June 2013 was $1,577,091 (12 months ended 31 Dec 2012: $7,737,723). 68% of the total loose pearl sales revenue during the period ended 30 June 2013 (12 months ended 31 Dec 2012:85%) was to Japanese based customers.

In relation to retail jewellery sales the above segment reporting is based on the location of the sale, whether in Australia or Indonesia as the nature of the retail business relies on one off sales transactions with customers from a variety of locations.

28. SEGMENT REPORTING (CONT.)

(b) Other segment information (cont.)

(ii) Adjusted net operating profit
Segment net operating profit/(loss) before income tax reconciliation to the statement of profit or loss and other comprehensive income.

The Board of Directors and the management team review on a monthly basis the performance of each segment by analysing the segment's net operating profit before tax. A segment's net operating profit before tax excludes non-operating income and expense such as interest paid and received, foreign exchange gains and losses whether realised or unrealised, fair value gains and losses and impairment charges.

A reconciliation of adjusted net operating profit/(loss) before income tax is provided as follows:

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Net operating profit /(loss) before tax	**(1,589,688)**	1,738,563
Intersegment eliminations	**(2,727)**	1,149,611
Changes in fair value of biological and agricultural assets	**(2,907,773)**	(4,075,228)
Change in pearl inventory	**-**	(28,739)
Interest revenue/(expense)	**-**	-
Impairment expense	**(15,705)**	(275,693)
Foreign exchange gains	**1,286,737**	2,251,502
Foreign exchange losses	**(195,806)**	(1,114,809)
Other	**(241,610)**	(5,860)
Profit/(loss) before income tax from continuing operations	**(3,666,572)**	(360,653)

(ii) Segment assets
Assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	30 June 2013 $	31 Dec 2012 $
Segment assets	**32,941,308**	29,274,096
Intersegment eliminations	**(529,407)**	(955,709)
Unallocated:		
Other	**622**	565
Investments	**280,984**	643,871
Joint Venture Loans	**313,925**	127,816
Deferred tax assets	**2,936,629**	1,900,919
Fair value adjustments on biological and agricultural assets	**(267,607)**	2,610,183
Derivative financial instruments	**-**	-
Total assets as per the statement of financial position	**35,676,454**	33,601,741

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $1,791,365 (2012: $1,022,006). The total located in Indonesia is $14,553,360 (2012: $11,993,953).

28. SEGMENT REPORTING (CONT.)

(b) Other segment information (cont.)

(iii) Segment liabilities

Liabilities are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	30 June 2013 $	31 Dec 2012 $
Segment liabilities	**2,590,461**	2,148,032
Intersegment eliminations (note 28(a))	**232,877**	(111)
Unallocated:		
Other	**2,550**	9,598
Current tax liabilities	**234,884**	361,339
Borrowings	**5,274,443**	4,935,922
Deferred tax liabilities	**1,544,570**	1,930,243
Derivative financial instruments	**-**	-
Total liabilities as per the statement of financial position	**9,879,785**	9,385,023

29. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.7.

Name of entity	Class of shares	Percentage owned 30 June 2013	Percentage owned 31 Dec 2012	Place of incorporation
Perl'Eco Pty Ltd (1)	Ord	100%	100%	Australia
Tansim Pty Ltd	Ord	100%	100%	Australia
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia
P.T. Cahaya Bali (2)	Ord	100%	-	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia
Essential Oils of Tasmania (3)	Ord	100%	-	Australia

(1) Previously named Sharcon Pty Ltd

(2) Bali retail operations have been set up in a separate company structure P.T. Cahaya Bali as of 1 May 2013 in order to comply with Indonesian rules and regulations.

(3) Essential Oils of Tasmania Ltd was acquired on 15 January 2013.

The ultimate parent entity, Atlas Pearls and Perfumes Ltd, is incorporated in Australia.

30. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2013	31 Dec 2012
	$	$
Share in joint venture partnership (note 31)	**280,984**	554,766
	280,948	554,766

31. INTERESTS IN JOINT VENTURES

(a) Joint venture

The parent entity has a 50% interest in World Senses Pty Ltd, which is a resident in Australia and the principal activity of which is the commercialisation of Atlas and Essential Oils of Tasmania's R&D, products and export markets. This vehicle will commercialise the production of new emerging extracts from Essential Oils of Tasmania and pearls from Atlas with an intimal focus on pearl micronized powder, pearl perfume extracts, pearl cosmetic extracts, Perl'fume™ technology and Australian indigenous perfume ingredients such as Sandalwood, Boronia and Fire Tree (*Zanthorrhoea preissii*).

The interest in World Senses Pty Ltd is accounted for in the financial statements using the equity method of accounting (refer to note 30). Information regarding to the joint venture is set out below.

	6 Months Ending 30 June 2013 $	12 Months Ending 31 Dec 2012 $
Joint Ventures' assets and liabilities		
Current assets	**679,714**	420,884
Non-current assets	**507,496**	287,178
Total assets	**1,187,210**	708,062
Current liabilities	**13,204**	450
Non-current liabilities	**593,822**	26,403
Total liabilities	**607,026**	26,853
Net assets	**580,183**	681,209
Joint Venture's revenues, expenses and results		
Revenues	**32,559**	6,491
Expenses	**(814,792)**	(89,645)
Loss before income tax	**(782,233)**	83,154
Share of Joint Venture's capital commitments		

(b) Contingent liabilities relating to joint ventures

Each of the partners in World Senses Pty Ltd are jointly and severally liable for the debts of the joint venture. The assets of the joint venture exceed its debts.

There have been no legal claims lodged against the joint venture. The joint venture does not have any contingent liabilities in respect of a legal claim lodged against the joint venture.

32. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	6 Months Ending	12 Months Ending
	30 June 2013	31 Dec 2012
	$	$
Statement of financial position		
Current assets	**3,746,564**	5,725,950
Total assets	**27,255,309**	29,274,444
Current liabilities	**5,692,923**	5,673,761
Total liabilities	**6,185,797**	6,652,455
Shareholders equity		
Issued capital	**30,203,035**	27,913,287
Reserves		
Share-based payment reserve	**581,029**	581,029
Retained earnings/(Accumulated losses)	**(8,005,438)**	(5,872,327)
	22,778,626	22,621,989
Profit / (loss) for the period	**(1,709,114)**	269,273
Total comprehensive income/(loss)	**(1,709,114)**	269,273

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2013 or 31 December 2012.

The parent entity did not provide financial guarantees during the period (2012: Nil).

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. The Group uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

Risk management is carried out by the Board of Directors.

The Group holds the following financial instruments:

	30 June 2013	31 Dec 2012
	$	$
Financial Assets		
Cash and cash equivalents	**1,767,156**	2,127,414
Trade and other receivables	**578,556**	2,592,414
Derivative financial instruments	**-**	181,327
	2,345,712	4,901,155
Financial Liabilities		
Trade and other payables	**1,395,280**	1,023,001
Borrowings	**5,274,443**	4,935,922
Derivative financial instruments	**404,627**	-
	7,074,350	5,958,923

Market Risk

(i) Foreign exchange risk

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen, Indonesian Rupiah, US Dollar and Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

Management manages their foreign exchange risk against their functional currency. Group companies are required to hedge a proportion of their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts and options under the guidance of the Board of Directors.

The majority of the Group's cash reserves are held in Australian banks with AAA ratings.

33. FINANCIAL RISK MANAGEMENT (CONT.)

The Groups exposure to foreign currency risk at the reporting date expressed in Australian dollars, was as follows:

	30 June 2013			31 December 2012		
	JPY $	**USD $**	**EUR $**	JPY $	USD $	EUR $
Cash and cash equivalents	**31,048**	**105,986**	**15,335**	103,985	134,419	5,544
Trade and other receivables	**5,032**	**34,756**	**2,174**	2,201	-	-
Trade and other payables	**5,546**	**3,637**	**-**	-	86,356	-
Borrowings	**4,226,864**	**-**	**-**	4,303,195	-	-
Forward exchange contracts – buy foreign currency	**-**	**-**	**-**	-	-	-
Forward exchange contracts – sell foreign currency	**(14,568)**	**-**	**-**	182,722	-	-

33. FINANCIAL RISK MANAGEMENT (CONT.)

Group Sensitivity Analysis

Sensitivity analysis is based on exchange rates in US Dollars, Japanese Yen and Euro increasing or decreasing by 10% and the affect on profit and equity.

	Statement of Financial Position Amount AUD		Foreign Exchange Rate Risk							
			30 June 2013				31 December 2012			
			-10%		10%		-10%		10%	
	2013	2012	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Assets										
Cash	**1,767,156**	2,127,414	**16,930**	**-**	**(13,852)**	**-**	29,673	-	(20,076)	-
Trade and other receivables	**578,556**	2,592,414	**4,421**	**-**	**(3,617)**	**-**	(96)	-	(479)	-
Derivatives	**-**	181,327	**-**	**-**	**-**	**-**	(200,954)	-	163,983	-
Financial Liabilities										
Trade and other payables	**1,395,280**	1,023,001	**1,020**	**-**	**(835)**	**-**	45,179	-	(36,965)	-
Borrowings	**5,274,443**	4,935,922	**(411,818)**	**-**	**431,578**	**-**	(472,011)	-	396,208	-
Derivatives	**404,627**	-	**78,376**	**-**	**(95,793)**	**-**	-	-	-	-
Total Increase/(Decrease)			**(311,071)**		**317,482**		(598,209)	-	502,671	-

Majority of the exposure above relates to the borrowings held in Yen.

Not shown in the table above, is the exposure to exchange movements on the intercompany loan denominated in Australian dollars made to the Indonesian subsidiaries. At the period end this loan stood at AUD$5,733,204. The intercompany loans are eliminated on consolidation. The impact for the current year on the profit or loss was a gain of $792,947 because the Indonesian Rupiah strengthened against the Australian dollar. If the Indonesian Rupiah strengthens or weakens against the Australian dollar by 10%, there would be an effect on the (profit) or loss of ($521,200) or $637,023 respectively.

33. FINANCIAL RISK MANAGEMENT (CONT.)

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from its borrowings. Given that borrowings are all due within 12 months and are at fixed interest rates the Group considers that any fair value interest rate risk or cash flow risk will be immaterial.

(iii) Price risk

The Group is exposed to fluctuations in pearl prices. This product is not traded as a commodity on an open market and as such the price risk cannot be hedged.

Credit risk

Credit risk is managed on a group basis**.** Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to wholesale and retail customers, including outstanding receivables. The Group considers the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are required to be settled in cash or using major credit cards, thus mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 51. For retail customers without credit rating the Group generally retains title over the goods sold until payment is received in full.

All cash balances held at banks are held at internationally recognised institutions. The Australian Government has guaranteed all deposits held with Australian banks, cash held in Indonesia is not covered by this guarantee. The majority of other receivables held are with related parties and within the Group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Trade receivables	**30 June 2013**	31 Dec 2012
	$	$
Retail customers – no credit history	**-**	14,331
Wholesale customers – existing customers with no defaults in the past	**121,729**	53,694
Total trade receivables	**121,729**	68,025
Derivative financial assets	-	-

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Group management aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments such as term deposits that are highly liquid.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 6) on the basis of expected cash flows. This is generally carried out by the Board of Directors on a Group basis. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and monitoring debt financing plans.

33. FINANCIAL RISK MANAGEMENT (CONT.)

Financing arrangements
The Group had access to the following borrowing facilities at the reporting date.

Fixed rate	**30 June 2013** **$**	31 Dec 2012 $
Expiring within one year – Foreign currency loan trade	**5,000,000**	5,000,000
	5,000,000	5,000,000

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

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

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

During the reporting period Atlas issued new Convertible Notes for a total value of $1,100,000. The Convertible Notes have a maturity date of 2 years after issue, attract an interest rate of 6% payable six monthly in arrears and are redeemable for ordinary shares in Atlas at any time during the 10 Business Days prior to the first anniversary of the Issue Date for the Convertible Notes; or the Maturity Date of the Convertibles Notes, or such other period as agreed in writing between the Company and the Noteholder. If the Noteholder exercises its conversion right, the Company must comply by redeeming all of the convertibles notes referred to in the Conversion Notice at their Face Value; and applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Noteholder at a price per Conversion Share equal to the lower of: 5 cents or 90% of the 10 day volume weighted average. If the Noteholder does not exercise its conversion right the face value is redeemable in cash at the date of expiry.

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

Earnings before interest, tax, depreciation, amortisation and exceptional items (Normalised EBITDA) will be greater than and at least equal to;

$1,500,000 for the 12 months 1 July 2013 to 30 June 2014; and

$1,500,000 for the 12 months 1 July 2014 to 30 June 2015; and

$1,500,000 for the 12 months 1 July 2015 to 30 June 2016.

Minimum net worth of the borrower (Atlas) will at all times be greater than $18,000,000; and

The ratio of net worth of the borrower to total tangible assets of the borrower will at all times be equal to or greater than 60%.

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

The fair value of convertible notes is reviewed half-yearly to determine the fair value of the derivative liability component.

33. FINANCIAL RISK MANAGEMENT (CONT.)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.
Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	30 June 2013						**31 December 2012**					
CONSOLIDATED ENTITY	**Less than 6 Months**	**6-12 months**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Total contractual cash flows**	**Carrying amount (asset)/ Liabilities**	**Less than 6 Months**	**6-12 months**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Total contractual cash flows**	**Carrying amount (asset)/ Liabilities**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Derivatives												
Trade payables	1,371,888				1,371,888	1,371,888	1,023,001	-	-	-	1,023,001	1,023,001
Borrowings	4,364,831	137,966	1,204,618	14,250	5,721,665	5,271,665	4,517,184	213,988	171,807	32,943	4,935,922	4,935,922
Total non-derivatives	**5,736,719**	**137,966**	**1,204,618**	**14,250**	**7,093,553**	**7,093,553**	**5,540,185**	**213,988**	**171,807**	**32,943**	**5,958,923**	**5,958,923**
Derivatives												
Net settled (Non deliverable forwards)	(14,568)	-	-	-	-	(14,568)	182,722	-	-	-	-	182,722
Gross settled												
-(inflow)	850,000	-	-	-	-	850,000	2,000,000	-	-	-	-	2,000,000
-outflow	(864,568)	-	-	-	-	(864,568)	(1,817,278)	-	-	-	-	(1,817,278)
Total Derivatives	**(14,568)**	**-**	**-**	**-**	**-**	**(14,568)**	**182,722**	**-**	**-**	**-**	**-**	**182,722**

Borrowings, includes the loan to the Commonwealth Bank (CBA), and is classified as an amount due within 6 months. This loan is drawn as a bank bill facility which has various maturity dates during the period 1 July 2013 to 31 December 2013. Bank bills which expire during the period 1 July 2013 to 31 December 2013 will be rolled over into a new loan with a revised maturity date within 6-12 months.

33. FINANCIAL RISK MANAGEMENT (CONT.)

Fair value measurements

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2) ,and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June.

CONSOLIDATED ENTITY –	**Level 1**	**Level 2**	**Level 3**	**Total**
as at 30 June 2013	**$**	**$**	**$**	**$**
Liabilities				
Derivatives	-	404,627	-	404,627
Total Liabilities	**-**	**404,627**	**-**	**404,627**

CONSOLIDATED ENTITY –	**Level 1**	**Level 2**	**Level 3**	**Total**
as at 31 December 2012	**$**	**$**	**$**	**$**
Assets				
Derivatives	-	181,327	-	181,327
Total Assets	**-**	**181,327**	**-**	**181,327**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market such as unlisted investments and subsidiaries is determined using valuation techniques where applicable. Where this is unable to be done they are held at cost.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques such as estimated discounted cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. These instruments are included in level 2 and comprise derivative financial instruments.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

34. BUSINESS COMBINATION

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

Details of the purchase consideration, the net assets acquired and gain on acquisition are as follows:

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

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

	Fair value $
Cash	142,221
Trade receivables	351,450
Other current assets	30,150
Income tax receivable	70,124
Inventories	922,588
Biological assets	430,801
Land and buildings	5,980
Plant and equipment	368,712
Other non-current assets	24,429
Trade payables	(300,974)
Loans to directors	(200,000)
Borrowings	(1,200,000)
Deferred tax liability	(85,570)
Net identified assets acquired	559,911
Gain on acquisition	59,911

(i) Share based payment consideration

Atlas acquired Essential Oils of Tasmania by way of issuing 10,000,000 fully paid ordinary shares in Atlas. The fully paid ordinary shares in Atlas issued to the owners of Essential Oils of Tasmania must be recorded at fair value. The share price of Atlas at the date of settlement being the 15th of January 2013 was $0.05. The fair value of the 10,000,000 fully paid ordinary shares is $500,000.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $503,076 and a net loss of ($533,446) to the group for the period 1 January to 30 June 2013.

(iii) Information not disclosed as not yet available

The Group has reported a provisional gain on acquisition as part of the purchase of Essential Oils of Tasmania Pty Ltd (see above) as the final assessment of the fair value of assets is yet to be determined.

35. CHANGE IN ACCOUNTING POLICIES

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2013 unless disclosed in Note 1. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below. The initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the company.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015	1 Jan 15	1 Jan 15
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments.	1 Jan 15	1 Jan 15
AASB 10	Consolidated Financial Statements	Changes to classification and measurement requirements of entities requiring consolidation.	1 Jan 13	1 Jan 13
AASB 11	Joint Arrangements	Changes to classification and measurement requirements of joint arrangements.	1 Jan 13	1 Jan 13
AASB 12	Disclosure of Interests in Other Entities	Introduces new disclosure requirements for interest in associates and joint arrangements.	1 Jan 13	1 Jan 13
AASB 13	Fair Value Measurement	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 notes in the financial statements.	1 Jan 13	1 Jan 13
AASB 119 (reissued September 2011)	Employee Benefits	Changes to measurement of defined benefit plans and timing of recognition of liabilities	1 Jan 13	1 Jan 13

Any other amendments are not applicable to the Group and therefore have no impact.

36. POST REPORTING DATE EVENTS

There are no events subsequent to the period ended 30 June 2013 which require disclosure.

37. ECONOMIC DEPENDENCY

All of the company's pearls are purchased from its wholly owned subsidiary PT Cendana Indopearls.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

(a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, 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 consolidated entity's financial position as at 30 June 2013 and of the performance for the period ended on that date; and

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

(b) the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

(c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

(d) in the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(e) the remuneration disclosures included on pages 8 to 18 of the Directors' Report (as part of audited remuneration report) for the period ended 30 June 2013 comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

S.P. Birkbeck
Chairman
Perth, Western Australia

25th September 2013

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Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ATLAS PEARLS AND PERFUMES LTD

Report on the Financial Report

We have audited the accompanying financial report of Atlas Pearls and Perfumes Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Pearls and Perfumes Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Atlas Pearls and Perfumes Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the six month period ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the six month period ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Atlas Pearls and Perfumes Ltd for the six month period ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

C Burton

CHRIS BURTON
Director

Perth, Western Australia
Dated this 25th day of September 2013

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES

ADDITIONAL INFORMATION - UNAUDITED

NORMALISED EBITDA

	12 Months Ending 30 June 2013 $	12 Months Ending 30 Jun 2012 $
Profit/(Loss) for the period	**(944,694)**	(918,122)
Less: Net Forex Gains	**(2,058,701)**	607,824
Add: Net Interest	**(519,086)**	267,227
Add: Depreciation/Amortisation	**243,928**	192,388
Add: Income tax expense	**(3,293,213)**	(499,788)
Add: Other taxes	**(70,015)**	(21,051)
Add: Revaluation of Biological Assets and Inventory	**5,906,702**	1,416,159
Add: Other non-operating (income/expense)	**404,179**	122,972
Less: Gain on derivative	**(32,177)**	-
Normalised EBITDA	**(363,078)**	**1,167,610**

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
UNAUDITED NORMALISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2013

	12 Months Ending 30 June 2013 $	12 Months Ending 30 Jun 2012 $
Revenue from continuing operations	**10,453,703**	11,462,999
Cost of goods sold	**(4,223,494)**	(4,964,695)
Gross profit	**6,230,209**	6,498,304
Other income	**3,376,326**	973,589
Marketing expenses	**(148,860)**	(598,500)
Administration expenses	**(5,930,665)**	(4,980,006)
Finance costs	**(359,517)**	(302,343)
Other expenses	**(7,405,399)**	(3,008,954)
Profit/(Loss) before income tax	**(4,237,906)**	(1,417,910)
Income tax (expense)/benefit	**3,293,212**	499,788
Profit/(Loss) for the period from continuing operations	**(944,694)**	(918,122)
Other comprehensive income/(expenses)		
Items that will be reclassified as profit or loss:		
Exchange differences on translation of foreign operations	**(303,133)**	(378,713)
Income tax on items that will be reclassified to profit or loss	**-**	-
Other comprehensive income/(expenses) for the period, net of tax	**(303,133)**	(378,713)
Total comprehensive income/(expenses) for the period	**(1,247,827)**	**(1,296,835)**
Profit/(loss) is attributable to:		
Owners of the Company	**(944,694)**	**(918,122)**
Total comprehensive income/(expenses) is attributable to:	**(1,247,827)**	**(1,296,835)**
Owners of the Company		
Overall operations :		
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company		
Basic earnings/(loss) per share **(cents)**	**(0.38)**	(0.56)
Diluted earnings per share **(cents)**	**n/a**	n/a

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
UNAUDITED NORMALISED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	30 June 2013 $	30 June 2012 $
Current assets		
Cash and cash equivalents	**1,767,156**	2,719,917
Trade and other receivables	**1,074,871**	925,478
Derivative financial instruments	**-**	103,203
Inventories	**7,115,790**	6,764,024
Biological assets	**5,914,682**	4,608,827
Total current assets	**15,872,499**	15,121,449
Non-current assets		
Loans joint venture entities	**313,926**	-
Equity accounted for investments	**280,984**	-
Inventories	**223,399**	220,396
Biological assets	**11,535,561**	13,072,486
Property, plant and equipment	**4,513,455**	4,032,835
Deferred tax assets	**2,936,629**	1,579,604
Total non-current assets	**19,803,955**	18,905,320
Total assets	**35,676,454**	34,026,769
Current liabilities		
Trade and other payables	**2,329,224**	1,734,835
Borrowings	**4,436,797**	4,993,669
Derivative financial instruments	**14,479**	-
Current tax liabilities	**234,884**	129,416
Short-term provisions	**92,037**	11,714
Total current liabilities	**7,107,421**	6,869,631
Non-current liabilities		
Derivative financial instruments	**390,148**	-
Borrowings	**837,646**	291,443
Deferred tax liabilities	**1,544,570**	2,358,029
Total non-current liabilities	**2,772,364**	2,111,122
Total liabilities	**9,879,785**	9,385,023
Net assets	**25,796,669**	24,216,718
Equity		
Contributed equity	**30,203,033**	27,666,203
Reserves	**(7,284,974)**	(6,981,841)
Retained profits/(accumulated losses)	**2,878,610**	3,823,304
Total equity	**25,796,669**	24,507,666

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
UNAUDITED NORMALISED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2013

Consolidated	Attributable to owners of Atlas Pearls and Perfumes Limited				
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total equity
	$	$	$	$	$
Balance at 1 July 2012	**27,666,203**	**581,028**	**(7,562,869)**	**3,823,304**	**24,507,666**
Profit/(loss) for the period	-	-	-	(944,694)	(944,694)
Exchange differences on translation of foreign operations	-	-	(303,133)	-	(303,133)
Total comprehensive income for the period	-	-	(303,133)	(944,694)	(1,247,827)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	2,536,830	-	-	-	2,536,830
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	2,536,830	-	-		2,536,830
Balance at 30 June 2013	**30,203,033**	**581,028**	**(7,866,003)**	**2,878,610**	**25,796,669**
Balance at 1 July 2011	**23,287,552**	**581,028**	**(7,184,156)**	**4,741,426**	**21,425,850**
Profit/(loss) for the period	-	-	-	(918,122)	(918,122)
Exchange differences on translation of foreign operations	-	-	(378,713)	-	(378,713)
Total comprehensive income for the period	**-**	**-**	(378,713)	(918,122)	(1,296,835)
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**	**(7,562,869)**	**3,823,304**	**24,507,666**

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
UNAUDITED NORMALISED STATEMENT OF CASHFLOW
AS AT 30 JUNE 2013

	12 Months Ending 30 June 2013 $	12 Months Ending 30 June 2012 $
Cash flows from operating activities		
Proceeds from pearl, jewellery and oyster sales	**8,485,855**	11,244,308
Proceeds from essential oil sales	**682,947**	-
Proceeds from other operating activities	**282,168**	50,588
Interest paid	**(300,472)**	(237,209)
Interest received	**30,624**	36,164
Payments to suppliers and employees	**(11,598,895)**	(12,855,095)
Income tax (paid)/received	**2,186,701**	(163,090)
Net cash provided by/(used in) operating activities	**(231,072)**	(1,924,334)
Cash flows from investing activities		
Cash obtained on business combination	**142,221**	-
Payments for property, plant and equipment	**(687,301)**	(1,980,053)
Joint venture partnership contributions (paid)/received	**(286,109)**	-
Other loans	**(89,105)**	-
Net cash provided by/(used in) investing activities	**(920,294)**	(1,980,053)
Cash flows from financing activities		
Proceeds from borrowings	**-**	(6,371,712)
Repayment of borrowings	**(2,337,833)**	7,318,114
Proceeds from issue of shares	**1,588,329**	4,286,997
Share transaction costs	**(149,611)**	-
Proceeds from convertible notes	**1,100,000**	-
Net cash provided by/(used in) financing activities	**200,885**	5,233,399
Net increase/(decrease) in cash and cash equivalents	**(950,481)**	1,329,012
Cash and cash equivalents at the beginning of the financial period	**2,719,917**	1,397,996
Effects of exchange rate changes on cash and cash equivalents	**(2,280)**	(7,091)
Cash and cash equivalents at the end of the financial period	**1,767,156**	2,719,917

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Atlas Pearls and Perfumes Ltd ("Atlas" or "the Company") is responsible for the corporate governance of the Company and its subsidiaries and the Board has adopted a manual of corporate governance policies and procedures based on control systems and accountability. The Board of the Company review the Atlas' Corporate Governance Plan annually. The Corporate Governance Plan is available in the corporate governance information section of the Company's website at www.atlaspearlsandperfumes.com.au. A summary of the Company's corporate governance policies and procedures is included in this Statement.

The Company's corporate governance policies and procedures are in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("the Principles & Recommendations"). The Company has followed the Principles & Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company's corporate governance practices depart from the Principles & Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the "if not, why not" exception reporting regime.

Further information about the Company's corporate governance practices including the information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website.

Board of Directors

Role of the Board and Management
The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Managing Director or CEO for the day-to-day management of the Company. Powers and functions not delegated remain with the Board. The key responsibilities and functions of the Board include the following:

- appointment of the Managing Director/CEO and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual and half yearly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

The Board's role and the Company's corporate governance practices are periodically reviewed and improved as required.

The role of the senior management of the Company is to progress the strategic direction provided by the Board. Senior management will be responsible for supporting the Board in implementing the running of the general operations and financial business of the Company in accordance with the delegated authorities for expenditure levels and materiality thresholds in place.

The Company has a Performance Evaluation policy which outlines the performance evaluation of the Board, its Committees and its individual Directors. The Nomination Committee is responsible for evaluation of the Board its Committees and its individual Directors, if required, on an annual basis.

No formal reviews of the Board, its Committees and its individual Directors were undertaken during the financial year. Next financial year, a formal review of the role of the Board is proposed to be conducted to assess the performance of the Board over the previous twelve (12) months and examine ways of assisting the Board in performing its duties more effectively. The review may include:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

A similar formal review will be conducted for each Committee, if relevant, by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

Next financial year, a review may be conducted for each Director to assess performance of that Director and to identify areas where improvements can be made.

The Board with assistance from the Remuneration Committee oversee the performance evaluation of the executive team. This evaluation is based on specific criteria, including the performance of the Company, whether strategic objectives are being achieved and the development of management and personnel. Performance and remuneration reviews of the executive team were conducted during the financial year and these reviews are undertaken at least annually. Senior executives are reviewed against a number of qualitative and quantitative factors relevant to their role and position.

The Board Charter including matters reserved for the Board and senior management and the Performance Evaluation Policy is available on the Company's website.

Composition of the Board

The Company has adopted a policy on assessing the independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations and detailed in the Board Charter and is attached as Annexure A to the Corporate Governance Plan. The materiality thresholds in this policy are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

The Board includes an executive Chairman/CEO, Mr. Stephen Birkbeck and three non-executive Directors, Mr. Geoff Newman, Mr. Timothy Martin and Dr. Joseph Taylor. The Board considers Mr. Newman and Dr. Taylor to be independent based on the criteria for independence included in the Company's Policy on Assessing the Independence of Directors and the ASX Principles & Recommendations. Mr. Birkbeck being an executive of the Company and a substantial holder via his controlled entities is not considered to be independent. Mr. Martin being a substantial holder via his controlled entities is not considered to be independent. Therefore, the Company currently has two independent Directors and two Directors who are not considered to be independent and does not have a majority of independent Directors.

The role of CEO/Managing Director and Chairman are both fulfilled by Mr. Birkbeck. Mr. Birkbeck brings specific skills and industry experience relevant to the Company. Given the size of the Company and the size of the Board, the Board considers that this appointment is appropriate.

Any changes to the composition of the Board will be determined by the Board, subject to the Company's Constitution, any applicable laws and the resolutions of Shareholders. The Board will seek to nominate persons for appointment to the Board with the appropriate mix of skills and experience to ensure an effective decision-making body and to ensure that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance. The Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

As required by the Constitution of Atlas, at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except the Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. Any Director (except the

Managing Director) appointed by the Directors since the date of the last annual general meeting must also stand for re-election at the next annual general meeting following their appointment. Prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated to ensure that they continue to contribute effectively to the Board.

The Company's policy for re-election of Directors and selection and appointment of new Directors is available in the Board Charter and Nomination Committee Charter in the Corporate Governance Plan on the Company's website.

A profile of each Director containing their skills, experience and expertise is set out in the Directors' Report.

Statement concerning availability of Independent Professional Advice

The Board considers that to assist Directors with independent judgement a Director may consider it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director. Provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Committee

Given the present size of the Company, the whole Board acts as the Nomination Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist the Board to fulfill its function as the Nomination Committee, the Board has adopted a Nomination Committee Charter. The responsibilities of the Committee include the periodic review and consideration of the structure and balance of the Board and the making of recommendations regarding appointments, retirements and terms of office of Directors.

The Nomination Committee Charter is available on the Company's website.

Remuneration Committee

The Board has established a Remuneration Committee which is comprised of Mr. Newman (Chairman of the Committee and independent Non-executive Director), Dr. Taylor (independent Non-executive Director), Mr. Timothy Martin (Non-executive Director) and Mr. Birkbeck (Chairman of the Board and CEO). Mr. Birkbeck, in his capacity as CEO does not attend the Remuneration Committee Meetings that involve matters that pertain to him. The Committee does not have a majority of independent Directors but is chaired by an independent Director.

To assist the Committee to fulfill its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report.

The performance of the Managing Director/CEO and the executive team is reviewed annually by the Remuneration Committee. The performances of the other staff are reviewed on an annual basis by the Managing Director/CEO in consultation with the Remuneration Committee.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Code of Conduct

The Company has adopted a Code of Conduct that outlines how the Company expects its Directors and employees of the Company to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices.

The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

It sets out the Company's expectations of its Directors and employees with respect to a range of issues including personal and professional behaviour, conflicts of interest, public and media comment, use of Company resources, security of information, intellectual property and copyright, discrimination and harassment, corrupt conduct, occupational health and safety, fair dealing and insider trading.

A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment. The Code of Conduct is available on the Company's website.

Ethical Standards

The Board considers that the success of the Company will be enhanced by a strong ethical culture within the Company. Accordingly, the Board is committed to the highest level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

Conflicts of Interest

In accordance with the *Corporations Act 2001*, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Guidelines for Trading in the Company's Securities

The Trading Policy adopted by the Board prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of the half yearly and annual financial results) except in exceptional circumstances and subject to procedures set out in the Guidelines.

Outside of these blackout periods, a Director, officer or employee must first obtain clearance in accordance with the Guidelines before trading in shares. For example:

- A Director must receive clearance from the Managing Director/CEO or Chairman before he may buy or sell shares.
- If the Chairman wishes to buy or sell shares he must first obtain clearance from the Board.
- Other officers and employees must receive clearance from the Managing Director/CEO or Chairman before they may buy or sell shares.

Directors, officers and employees must observe their obligations under the *Corporations Act 2001* not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

The Trading Policy is available on the Company's website.

Continuous Disclosure

The Company is a "disclosing entity" for the purposes of Part 1.2A of the *Corporations Act 2001*. As such, the Company has a Continuous Disclosure Policy. The purpose of this Continuous Disclosure Policy is to ensure the Company complies with continuous disclosure requirements arising from legislation and the Listing Rules of the Australian Securities Exchange ("ASX"). The Policy sets out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under legislation and the Listing Rules; and
- ensuring the Company and individual officers do not contravene legislation or the Listing Rules.

The Company has obligations under the *Corporations Act 2001* and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or misinformation in the market. Atlas discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company recognises that the maintenance of confidentiality is also of paramount importance to the Company both to protect its trade secrets and to prevent any false market for the Company's shares from developing.

All relevant information provided to ASX in compliance with the continuous disclosure requirements of legislation and the Listing Rules is promptly posted on the Company's web site.

The Continuous Disclosure Policy is available on the Company's website.

Audit Committee

The Board has established an Audit Committee which is comprised of Mr. Newman (Chairman of the Committee and independent Non-executive Director) and Dr. Taylor (independent Non-executive Director). The Committee consists only of independent Non-executive Directors and is chaired by an independent chair, who is not the chair of the Board. Mr. Newman, the Chairman of the Committee, has extensive financial experience. Dr. Taylor has a good understanding of business and is financially literate.

The Committee only had two members during the financial year. The Board believes no efficiencies or other benefits could be gained by establishing a larger Audit Committee.

To assist the Committee to fulfill its function as the Audit Committee, the Board has adopted an Audit Committee Charter.

The Audit Committee provides recommendations in relation to the initial appointment of the external auditor and the appointment of a new external auditor should a vacancy arise. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Proposed external auditors must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. In addition, the successful candidate for external auditor must have arrangements in place for the rotation of the lead audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

A formal Audit Committee Charter has been adopted, a copy of which is available on the Company's website.

Communication to Shareholders

The Company has a Shareholder Communications Strategy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information will be communicated to Shareholders through the annual report, half yearly report, disclosures and announcements made to the ASX, the annual general meeting and general meetings and through the Company's website.

The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend the meeting. Information included in the notice of meeting sent to shareholders will be presented in a clear, concise and effective manner.

The Shareholder Communications Strategy is available on the Company's website.

Risk Management

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board delegates to the Managing Director/CEO responsibility for implementing the risk management system who will submit particular matters to the Board for its approval or review. The Chairman and Managing Director/CEO are required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a risk register which is monitored and updated by management periodically.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and regularly report back to the Board.

The Board will regularly review assessments of the effectiveness of risk management and internal compliance and control. The Board also receives an assurance from management that the Company's management of its material business risks is effective.

The Company's Risk Management Policy is available on the Company's website.

Integrity of Financial Reporting

The Board has received assurance in writing from Mr. Birkbeck, Executive Chairman and CEO and Mr. Stephen Gleeson, Chief Financial Officer, in accordance with section 295A of the *Corporations Act 2001* that:

- the consolidated financial statements of the Company and its controlled entities for the financial year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Diversity Policy

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Given the present size of the Company, the Board has not adopted a Diversity Policy. The Board believes no efficiencies or other benefits could be gained by establishing a formal Diversity Policy. The Board will consider the adoption of a formal Diversity Policy if deemed appropriate in future.

Given the size of the Company, no measurable diversity objectives or strategies have been set however the current proportion of women employees in the Company, in senior executive positions and on the Board is included below.

	Male	Female
Board	100.0%	-
Senior Management	83.4%	16.6%
Staff	60.0%	40.0%

ASX LISTING RULE DISCLOSURE – EXCEPTION REPORTING

As required by ASX Listing Rules, the following table discloses the extent to which Atlas has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Principle No.	Best Practice Recommendation	Compliance	Reasons for Non-compliance
2.1	A majority of the Board should be independent directors.	Currently, Atlas has two independent and two non-independent Directors.	The Board considers that the current composition of the Board is appropriate in the context of the size of the Board and the Company and the scope and scale of the Company's operations. Further, the Company considers that each of the non-independent Directors possess skills and experience suitable for building the Company. The Board may consider the appointment of independent Directors if deemed appropriate in future.
2.2	The Chair should be an independent Director.	Currently, Atlas has a non-independent Chair.	The Board considers that the non-independent Chair possesses skills and experience suitable for leading the Board and considers a non-independent Chair to be appropriate in the context of the Company's operations. Mr. Birkbeck brings specific skills and industry experience relevant to the Company. The Board may consider the appointment of an independent Director as the Chair if deemed appropriate in future.
2.3	The role of Chair and CEO should not be exercised by the same individual.	Currently, Atlas' Chair also fulfils the role of Managing Director/CEO.	The Board considers Mr. Birkbeck brings specific skills and industry experience relevant to the Company and considers a Chair/CEO to be appropriate in the context of the Company's operations and the size of the Board and the Company. The Board may consider splitting the role of Chairman and CEO/Managing Director if deemed appropriate in future.
2.4	The Board should establish a nomination committee.	The Board has not established a nomination committee. The role of the nomination committee is carried out by the full Board.	Given the present size of the Company and the Board, the whole Board acts as a nomination committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. However, it is noted the Board has adopted a Nomination Committee Charter.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committee and individual Directors.	The Board did not undertake a formal process for the evaluation of the board, individual Directors or committees during the financial year.	The Board plans to undertake a formal process process for evaluating the performance of the Board, its committees and individual Directors in the coming financial year.

Principle No.	Best Practice Recommendation	Compliance	Reasons for Non-compliance
3.2	Companies should establish a diversity policy and include measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	The Board has not adopted a formal diversity policy.	Given the present size of the Company, the Board has not adopted a Diversity Policy. The Board believes no efficiencies or other benefits could be gained by establishing a formal Diversity Policy. The Board will consider the adoption of a formal Diversity Policy if deemed appropriate in future given the size of the Company, the Board, the workforce and the activities of the Company. It is noted that the Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.
3.3	Companies should disclose achievement of measurable objectives for gender diversity.	Given the size of the Company, no measurable objectives for achieving gender diversity have been set.	Whilst no measurable objectives have been set for achieving gender diversity, the Company has disclosed in this Annual Report the proportion of women employees in the Company, in senior executive positions and on the Board. The Board will consider the setting of measurable objectives for achieving gender diversity as the size of the Company, Board, workforce and the activity of the Company increase.
4.2	The Audit Committee should be structured so that it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent chair, who is not the chair of the board and has at least three members.	The Audit Committee currently only has two members.	The Board believes that given the Board and the Company's size, no efficiencies or other benefits could be gained by establishing a larger Audit Committee. It is noted that the members of the Audit Committee possess the relevant experience and financial literacy appropriate for their position as a member of the Audit Committee.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 20 September 2013.

(a) Distribution schedule and number of holders of equity securities as at 20 September 2013

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares (ATP)	125	446	339	940	336	2,186
Unlisted Options – 5c 29/1/14	58	144	96	192	41	531
Convertible Notes	-	-	-	1	3	4

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 20 September 2013 is 764.

(b) 20 Largest holders of quoted equity securities as at 20 September 2013

The names of the twenty largest holders of fully paid ordinary shares (ASX code: ATP) as at 20 September 2013 are:

Rank	Name	Shares	% of Total Shares
1	RAINTREE PEARLS & PERFUMES PTY LTD	19,883,997	6.93
2	CHEMCO SUPERANNUATION FUND PTY LTD <CHEMCO SUPER FUND NO 2 A/C>	19,200,000	6.69
3	SP & K BIRKBECK HOLDINGS PTY LTD <SP & K BIRKBECK S/F A/C>	16,225,030	5.65
4	JINGIE INVESTMENTS PTY LTD	12,771,600	4.45
5	WARMAN (NOMINEES) PTY LIMITED <WARMAN INVEST A/C>	11,920,546	4.15
6	ABERMAC PTY LTD <RAMAC A/C>	10,833,333	3.77
7	QUIET VOICE LIMITED	8,000,000	2.79
8	FARJOY PTY LTD	7,099,412	2.47
9	MR CHRIS CARR + MRS BETSY CARR	5,000,000	1.74
10	FIVE TALENTS LIMITED	4,220,000	1.47
11	COAKLEY PASTORAL CO PTY LTD <TIM COAKLEY SUPER FUND A/C>	4,000,000	1.39
12	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	3,974,255	1.38
13	BYRON BAY CELEBRANT PTY LTD <C & L DEAN SUPER FUND A/C>	3,970,589	1.38

Rank	Name	Shares	% of Total Shares
14	DORRAN PTY LTD	3,000,000	1.05
15	QUEENSRIDGE INVESTMENTS PTY LTD <GLEESON SUPERANNUATION FUND A/>	3,000,000	1.05
16	MR PAUL FRANCIS MURRAY	2,620,000	0.91
17	MR TIMOTHY JAMES MARTIN	2,400,000	0.84
18	NEJEKA PTY LTD <MANSFIELD SUPER FUND A/C>	2,400,000	0.84
19	MS JENNIFER MICHELLE ROUGHAN	2,400,000	0.84
20	FITZPATRICK (WA) PTY LTD	2,175,000	0.76
	TOTAL	**145,093,762**	**50.55**

Stock Exchange Listing – Listing has been granted for 287,038,778 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 20 September 2013 are detailed below in part (d).

(c) Substantial shareholders

Substantial shareholders in Atlas Pearls and Perfumes Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Name	Shares
W. G. MARTIN & ASSOCIATES **	31,971,600
RAINTREE PEARLS & PERFUMES PTY LTD & ASSOCIATES *	30,090,855
T. J. MARTIN & ASSOCIATES ***	16,628,145

* Includes shares held by Raintree Pearls & Perfumes Pty Ltd and SP & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>.
** Includes shares held by Chemco Superannuation Fund Pty Ld <Chemco Super Fund No 2 A/C> and Jingie Investments Pty Ltd.
*** Includes shares held by Timothy James Martin and Jingie Investments Pty Ltd.

(d) Unquoted Securities

The number of unquoted securities on issue as at 20 September 2013:

Security	Number on issue
Unlisted options exercisable at 5 cents, on or before 29 January 2014.	32,582,005
Convertible notes.	1,100,000

(e) Names of persons holding more than 20% of a given class of unquoted securities as at 20 September 2013

Security	Holder Name	Number of Securities	% Held
Convertible notes	Chemco Superannuation Fund Pty Ltd <Chemco Superannuation Fund>	500,000	45.4%
Convertible notes	Abermac Pty Ltd <Ramac A/C>	350,000	32.0%

(f) Restricted Securities as at 20 September 2013

There were no restricted securities on issue as at 20 September 2013.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options and convertible notes have no voting rights.

(h) Company Secretary

The Joint Company Secretaries are Mr Stephen Gleeson and Ms Susan Hunter.

(i) Registered Office

The Company's Registered Office is 47 - 49 Bay View Terrace, Claremont, Western Australia 6010.

Telephone: +61 8 9284 4249
Facsimile: +61 8 9284 3031

(j) Share Registry

The Company's Share Registry is Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000.

Telephone: 1300 557 010 (from within Australia); +61 3 9415 4000 (from outside Australia).

(k) On-Market Buy-back

The Company is not currently performing an on-market buy-back.