



# Offer Document

## Non-renounceable Rights Issue

1 Share for every 1.7 Shares held at an issue price of \$0.05 per New Share to raise up to approximately \$4,201,709

The Rights Issue closes at 5.00 pm (Perth time) on 16 March 2012

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Offer Document is not a prospectus and does not contain all the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares.

You should read this Offer Document in its entirety before deciding whether to accept the offer of New Shares. If you do not understand any part of this Offer Document or are in doubt as to what you should do, you should consult your stockbroker, accountant, financial or other professional adviser immediately.

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## Important information

This Offer Document has been prepared by Atlas South Sea Pearl Limited ACN 009 220 053 (**Company**).

The Rights Issue to which this Offer Document relates complies with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Order 08/35. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with ASIC.

This Offer Document relates to the 1 for 1.7 non-renounceable Rights Issue to subscribe for New Shares at the Issue Price set out in this Offer Document and the Entitlement and Acceptance Form, and as announced to ASX by the Company on 6 February 2012.

### Not investment or financial product advice

The information in this Offer Document is not investment or financial product advice, does not purport to contain all the information that you may require in evaluating a possible acquisition of New Shares in the Company and has been prepared without taking into account the investment objectives, financial situation, tax position and needs of you or any particular investor.

Before deciding whether to apply for New Shares, you should conduct your own independent review, investigation and analysis of the Company and the New Shares in light of your personal circumstances (including financial and taxation issues). You should obtain any professional advice you require to evaluate the merits and risks of an investment in the Company before making any investment decision based on your investment objectives.

### Information about the Company

The information included in this Offer Document provides information about the Company's activities current as at 6 February 2012. It is information in a summary form and does not purport to be complete. It should be read in conjunction with the Company's other periodic and continuous disclosure announcements including the Company's half yearly financial report to 30 June 2011 lodged with ASX on 31 August 2011, the Company's announcement to the ASX on 6 February 2012 regarding the Rights Issue and the Company's other announcements to ASX available at [www.asx.com.au](http://www.asx.com.au).

### Foreign jurisdictions

This Offer Document is being sent to all Shareholders on the Company's share register as at 5.00 pm (Perth time) on the Record Date with an address on the Share Register in Australia and New Zealand.

The information in this Offer Document does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer and no action has been taken to register the New Shares or otherwise permit a public offering of the New Shares in any jurisdiction other than Australia and New Zealand. The New Shares may not be offered or sold in any jurisdiction except to persons to whom such offer or sale is permitted under applicable law. For further information refer to section 1 of Part F.

### Governing law

This Offer Document, the Rights Issue and the contracts formed on acceptance of your Application are governed by the law applicable in Western Australia. Each Shareholder who applies for New Shares submits to the jurisdiction of the courts of Western Australia.

### Forward looking statements

The information in this Offer Document may contain certain forward-looking statements.

The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors (many of which are beyond the control of the Company) that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Accordingly, you should not place undue reliance on forward looking information. You should also have regard to Part E 'Risk factors'.

### Past performance

Past performance information given in this Offer Document is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

### Financial data

All dollar values are in Australian dollars (A\$).

### Disclaimer of representatives

No person is authorised to give any information, or to make any representation, in connection with the Rights Issue that is not contained in this Offer Document.

Any information or representation that is not in this Offer Document may not be relied on as having been authorised by the Company or its related bodies corporate in connection with the Rights Issue.

Except as required by law, and only to the extent so required, none of the Company, or any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Offer Document.

### Defined terms

Some capitalised words and expressions used in this Offer Document are defined in the glossary on page 27.

# Chairman's Letter

Dear Shareholder

## Non-Renounceable Rights Issue

As announced on 28 December 2011, last year was challenging for the pearling industry. Fortunately, Atlas South Sea Pearl Limited ACN 009 220 053 (**Company**) remains in a strong market position compared with other pearl farmers as a consequence of the Company's low production costs and the quality of its products. Many smaller producers in Indonesia and Australia have sold their assets resulting in further market consolidation. In a smaller production pool Atlas continues to become a more significant and important player.

While this is a difficult time to raise capital, your Board has determined that it is a risk to the underlying business if we do not have adequate reserves of capital. The Board has therefore concluded that it is prudent to inject additional capital, cut costs but maintain Atlas's long term strategies based on the Company's sustainable competitive advantages.

Accordingly, on 6 February 2012, the Company announced a non-renounceable pro rata rights issue (**Rights Issue**) to raise up to approximately \$4,201,709 (before costs). The Rights Issue is subject to a minimum raising of \$1.5M. The 6 February announcement also includes an update on the Company's financial status and is included in this Offer Booklet.

On behalf of the directors of the Company, I am pleased to invite you to participate in the Rights Issue.

The Rights Issue provides you with the opportunity to subscribe for 1 new fully paid ordinary share in the Company (**New Share**) for every 1.7 fully paid ordinary shares in the Company (**Shares**) held at 5.00 pm (Perth time) on 20 February 2012, at an issue price of \$0.05 per New Share – a discount of 40% to the closing price of Shares on ASX on the date prior to the announcement of the Rights Issue on 6 February 2012.

The funds raised from the Rights Issue will be used for working capital purposes in the following areas.

1. Implement the full commercialisation of Atlas' quality selection programme across all sites
2. Improve infrastructure support in the expanding production programme
3. Ensure all key managerial and technical roles are funded
4. Expand the company's marketing activities and capitalise on emerging markets
5. Commercialise new product lines and value adding initiatives
6. General working capital

Approximately \$2.5M of these funds are to be used to undertake activities 1-3 and 6 above. The remaining \$1.5M that is being sought will be used to fund the activities in 4 and 5 above. As stated above, the Rights Issue is conditional on a minimum amount of \$1.5M being raised. If the Rights Issue does not raise the maximum amount, then funds will be applied to the areas where the highest return on capital is likely to be achieved.

You may also apply for additional New Shares in excess of your above entitlement. Any additional New Shares may be allocated out of any shortfall that arises under the Rights Issue at the issue price of \$0.05 per New Share.

This Offer Document contains important information concerning your potential participation in the Rights Issue, including:

- the key terms of the Rights Issue;
- instructions on 'how to participate' should you choose to do so; and
- a personalised Entitlement and Acceptance Form which details your entitlement to New Shares, to be completed in accordance with the instructions provided.

To participate in the Rights Issue, you must ensure that applications for New Shares are received in accordance with the Entitlement and Acceptance Form on or before **5.00 pm (Perth time) on 16 March 2012**. Otherwise, your entitlement to New Shares will lapse.

If you have any doubt as to whether you should participate in the Rights Issue, you should consult your stockbroker, accountant, financial or other professional adviser.

On behalf of the directors of the Company, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully

Steve Birkbeck  
Chairman

# A Rights Issue at a glance

## 1 Summary of Rights Issue offer

<b>Issue Price</b>	\$0.05 per New Share
<b>Entitlement</b>	1 New Share for every 1.7 Shares held at 5.00 pm (Perth time) on the Record Date offered to Eligible Shareholders
<b>Maximum Number of New Shares to be issued under the Rights Issue</b>	84,034,175, subject to reconciliation and rounding
<b>Minimum Number of New Shares to be issued under the Rights Issue</b>	30,000,000, subject to reconciliation and rounding
<b>Shortfall</b>	The offer structure also provides for the allocation of any shortfall arising under the offer, the terms of which are summarised in section 9 of Part C of this Offer Document
<b>Amount to be raised</b>	\$4,201,709 (before costs associated with the Rights Issue and assuming the maximum number of New Shares are issued under the Rights Issue). The Rights Issue is subject to raising a minimum of \$1,500,000. In the event that this minimum is not raised, Application Money will be returned without interest.

## 2 Key dates

Announcement of the Rights Issue	6 February 2012
Ex Date	14 February 2012
<b>Record Date to determine Entitlements</b>	5.00 pm (Perth time) on 20 February 2012
Offer Document and Entitlement and Acceptance Form despatched	24 February 2012
<b>Opening date of the Rights Issue</b>	
<b>Closing Date of the Rights Issue</b>	5.00 pm (Perth time) on 16 March 2012
Last date for lodgement of Applications	
New Shares quoted on a deferred settlement basis	19 March 2012
ASX notified of under-subscriptions	21 March 2012
Allotment Date for allotment of New Shares under the Offer	22 March 2012
Issue of New Shares and despatch of transaction confirmation statements for New Shares	23 March 2012

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Normal trading of New Shares expected to commence on ASX

26 March 2012

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Subject to the Corporations Act and Listing Rules, the Company reserves the right to vary the timetable without prior notice including by extending the Closing Date or closing the Rights Issue early. The Company also reserves the right not to proceed with the whole or part of the Rights Issue at any time prior to allotment. In that event, Application Money will be returned without interest. See section 10 of Part D of this Offer Document for further details.

## B Announcement

The Manager  
Company Announcements Office  
ASX Limited  
Exchange Plaza  
2 The Esplanade

ASX - ATP

### RIGHTS ISSUE ANNOUNCEMENT, PRODUCTION UPDATE and PROFORMA OPERATING RESULTS 2012

Atlas South Sea Pearl Limited ACN 009 220 053 (the **Company**) announces that it will be undertaking a non-renounceable pro rata rights issue (**Rights Issue** or **Offer**) to holders of shares in the Company (**Shareholders**) with a registered address in Australia or New Zealand (**Eligible Shareholders**) as at 5.00 pm (AWDT) on 20th February 2012 (**Record Date**).

Pursuant to the Rights Issue, the Company will issue up to 84,034,175 fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of \$0.05 each, to raise up to a maximum of \$4.2 million (before costs of the Offer). An offer document will be sent to Shareholders on the date detailed in the timetable below (**Offer Document**). Full details and terms of the Offer will be contained in the Offer Document.

The New Shares will be offered on the basis of 1 new share for every 1.7 fully paid ordinary shares (**Shares**) held in the capital of the Company as at the Record Date (**Entitlement**). The rights to subscribe for the New Shares in accordance with an Entitlement under the Offer (**Rights**) will be non-renounceable.

It is a condition of the Rights Issue proceeding that the Company raise a minimum of \$1,500,000. If that amount is not raised then the Rights Issue will not proceed and application money will be returned without interest.

The New Shares will be fully paid and will rank equally with the Company's existing issued Shares. The Company will make an application to the ASX for official quotation of the New Shares.

The number of issued Shares at the date of this notice and the total number of issued Shares at the close of the Offer are as follows:

- Number of Shares currently on issue and quoted on ASX: 142,858,097
- Maximum number of New Shares to be issued under the Offer: 84,034,175
- Maximum number of Shares on issue upon completion of the Offer: 226,892,272

The Directors reserve the right in accordance with the Corporations Act and ASX Listing Rule 7.2 (exception 3) to allocate any shortfall under the Rights Issue. Eligible Shareholders who apply for their full Entitlement may also apply for additional Shares in excess of their Entitlement at \$0.05 each (which will only be available where a shortfall arises). Applications for additional shares may be subject to a pro rata scale back.

If any Shortfall arising under the Rights Issue exceeds applications received for Additional Shares, the Directors reserve the right to place the remaining Shortfall with any other persons selected by them. Any remaining Shortfall will be placed no later than 3 months after the Closing Date and will be issued on the same terms as are offered to Eligible Shareholders under the Rights Issue.

Any issue of Additional Shares to a related party (including a Director) will be conditional on a resolution of Shareholders being passed to approve the issue for the purposes of Listing Rule 10.11. Further details of the terms and conditions of the Rights Issue will be set out in the Offer Booklet.

The funds raised from the Rights Issue will be used for working capital purposes in the following areas.

7. Implement the full commercialisation of Atlas' quality selection programme across all sites
8. Improve infrastructure support in the production programme
9. Ensure all key managerial and technical roles are funded
10. Expand the company's marketing activities and capitalise on emerging markets
11. Commercialise new product lines and value adding initiatives
12. General working capital

Approximately \$2.5M of these funds are to be used to undertake activities 1-3 and 6 above. The remaining \$1.5M that is being sought will be used to fund the activities in 4 and 5 above. As stated above, the Rights Issue is conditional on a minimum amount of \$1.5M being raised. If the Rights Issue does not raise the maximum amount, then funds will be applied to the areas where the highest return on capital is likely to be achieved.

### Proposed timetable

It is proposed that the Rights Issue be conducted as follows:

Event	Date
Rights Issue announced via ASX	6-Feb-12
Offer Document and 708AA Notice lodged with ASX	6-Feb-12
Shares quoted on an "ex" basis	14-Feb-12
Record Date to identify Shareholders entitled to participate in issue	20-Feb-12
Offer Opens and Offer Summary and Entitlement and Acceptance Forms despatched to Eligible Shareholders	24-Feb-12
Closing Date for acceptance and payment	16-Mar-12
New Shares quoted on Deferred Settlement basis	19-Mar-12
Notify of shortfall in acceptances	21-Mar-12
Allotment Date for allotment of New Shares under the Offer	22-Mar-12
Despatch of holding statements and end of Deferred Settlement Trading including 708AA Notice	23-Mar-12
Commencement of trading of New Shares	26-Mar-12

This timetable is indicative only and subject to change. Subject to the Corporations Act 2001 (Cth) and the Listing Rules, the Directors of the Company reserve the right to vary these dates, including the Closing Date, without prior notice. The Directors also reserve the right not to proceed with the whole or part of the Offer at any time prior to the allotment. In that event, application money will be returned without interest.

Full details of the terms and conditions of the Rights Issue will be contained in the Offer Document to be lodged with the ASX and to be despatched to Shareholders in accordance with the timetable set out above.

#### **GENERAL COMPANY UPDATE**

In December 2011, the Company reported a weakening demand for its pearls and as a result the Company would not achieve its profit projection made in October 2011 and that revenue would be lower than budgeted income. As a supplier of pearls at the bottom of the supply chain, Atlas is vulnerable to weakening demand for pearls, falling pearl prices and trading strategies of pearl traders who seek to profit in volatile markets. This vulnerability is exasperated in circumstances where Atlas does not have sufficient cash reserves to be strategic in the points in time in which it sells into the market. A steady demand and stable price points for pearls through the middle of 2011 evaporated in the last quarter. Atlas's financial position was further affected by a failure to achieve an outcome in a pending tax issue which was expected to result in a substantial tax refund to the company.

**FINANCIAL INFORMATION****Pro-Forma Balance Sheet**

Based on the company's unaudited management accounts dated 31 December 2011, a pro-forma Balance Sheet post rights issue assuming **full take-up** would be as follows:

<b>AUD</b>	<b>Balance Sheet as at 31-Dec-11</b>	<b>Rights Issue</b>	<b>Pro-Forma post Rights Issue</b>
<b>Current Assets -</b>			
Cash and cash equivalents	\$140,563	\$4,201,709	\$4,342,272
Trade and other receivables	\$1,142,602		\$1,142,602
Inventories	\$6,033,330		\$6,033,330
Biological Assets	\$6,771,528		\$6,771,528
<b>Total Current Assets</b>	<b>\$14,088,023</b>	<b>\$4,201,700</b>	<b>\$18,289,732</b>
<b>Non-Current Assets -</b>			
Trade and other receivables	\$27,702		\$27,702
Inventories	\$264,865		\$264,865
Biological assets	\$10,679,185		\$10,679,185
Property, plant & equipment	\$3,951,374		\$3,951,374
Deferred tax asset	\$1,310,265		\$1,310,265
<b>Total Non-Current Asset</b>	<b>\$16,233,391</b>	<b>\$-</b>	<b>\$16,233,391</b>
<b>TOTAL ASSETS</b>	<b>\$30,321,414</b>	<b>\$4,201,709</b>	<b>\$34,523,123</b>
<b>Current Liabilities -</b>			
Trade and other payables	(\$1,159,019)		(\$1,159,018)
Borrowings	(\$5,718,552)		(\$5,718,552)
Current tax liability	(\$127,283)		(\$127,283)
Other	(\$917,497)		(\$917,497)
<b>Total Current Liabilities</b>	<b>(\$7,922,351)</b>	<b>\$-</b>	<b>(\$7,922,350)</b>
<b>Non-Current Liabilities -</b>			
Deferred tax liability	(\$2,058,305)		(\$2,058,305)
Long term provisions	(\$23,099)		(\$23,099)
<b>Total Non-Current Liabilities</b>	<b>(\$2,081,704)</b>	<b>\$-</b>	<b>(\$2,081,704)</b>
<b>TOTAL LIABILITIES</b>	<b>(\$10,004,055)</b>	<b>\$-</b>	<b>(\$10,004,054)</b>
<b>NET ASSETS</b>	<b>\$20,317,360</b>	<b>\$4,201,709</b>	<b>\$24,519,069</b>
<b>Equity -</b>			
Issued capital	(\$23,287,554)	(\$4,201,709)	(\$27,489,263)
Reserves	\$6,661,975		\$6,661,975
Retained profits	(\$3,691,781)		(\$3,691,781)
<b>TOTAL EQUITY</b>	<b>(\$20,317,360)</b>	<b>(\$4,201,709)</b>	<b>(\$24,519,069)</b>

A pro-forma Balance Sheet post the rights issue assuming that the minimum take-up occurs would be as follows:

AUD	Balance Sheet as at 31-Dec-11	Rights Issue	Pro-Forma post Rights Issue
<b>Current Assets -</b>			
Cash and cash equivalents	\$140,563	\$1,500,000	\$1,640,563
Trade and other receivables	\$1,142,602		\$1,142,602
Inventories	\$6,033,330		\$6,033,330
Biological Assets	\$6,771,528		\$6,771,528
<b>Total Current Assets</b>	<b>\$14,088,023</b>	<b>\$1,500,000</b>	<b>\$15,588,023</b>
<b>Non-Current Assets -</b>			
Trade and other receivables	\$27,702		\$27,702
Inventories	\$264,865		\$264,865
Biological assets	\$10,679,185		\$10,679,185
Property, plant & equipment	\$3,951,374		\$3,951,374
Deferred tax asset	\$1,310,265		\$1,310,265
<b>Total Non-Current Asset</b>	<b>\$16,233,391</b>	<b>\$-</b>	<b>\$16,233,391</b>
<b>TOTAL ASSETS</b>	<b>\$30,321,414</b>	<b>\$1,500,000</b>	<b>\$31,821,414</b>
<b>Current Liabilities -</b>			
Trade and other payables	(\$1,159,019)		(\$1,159,018)
Borrowings	(\$5,718,552)		(\$5,718,552)
Current tax liability	(\$127,283)		(\$127,283)
Other	(\$917,497)		(\$917,497)
<b>Total Current Liabilities</b>	<b>(\$7,922,351)</b>	<b>\$-</b>	<b>(\$7,922,350)</b>
<b>Non-Current Liabilities -</b>			
Deferred tax liability	(\$2,058,305)		(\$2,058,305)
Long term provisions	(\$23,099)		(\$23,099)
<b>Total Non-Current Liabilities</b>	<b>(\$2,081,704)</b>	<b>\$-</b>	<b>(\$2,081,704)</b>
<b>TOTAL LIABILITIES</b>	<b>(\$10,004,055)</b>	<b>\$-</b>	<b>(\$10,004,054)</b>
<b>NET ASSETS</b>	<b>\$20,317,360</b>	<b>\$1,500,000</b>	<b>\$21,817,360</b>
<b>Equity -</b>			
Issued capital	(\$23,287,554)	(\$1,500,000)	(\$24,787,554)
Reserves	\$6,661,975		\$6,661,975
Retained profits	(\$3,691,781)		(\$3,691,781)
<b>TOTAL EQUITY</b>	<b>(\$20,317,360)</b>	<b>(\$1,500,000)</b>	<b>(\$21,817,360)</b>

This information is prepared by adopting the Company's management accounts for the balance date as at 31 December 2011, which are unaudited. The above Rights Issue adjustments do not include the cost of raising capital which is estimated to be approximately \$50,000.

## Financial Results

A summary of operating results for the last four years is as follows:

AUD	2011 [F] ~	2010	2009	2008
Pearl Sales	\$10,516,185	\$8,571,306	\$5,917,532	\$11,819,684
No. of pearls sold	272,111	311,153	156,966	167,200
Unit value per pearl	\$38.65	\$18.87	\$37.70	\$70.69
Jewellery Sales	\$1,308,553	\$967,308	\$722,220	\$794,977

~ Information based off unaudited management accounts

Based on the unaudited management accounts, the Company will achieved a normalised earnings before interest, tax, depreciation and amortisation of between \$1.3-1.6M which is in line with guidance provided in December 2011.

The Company intends to release its unaudited preliminary final results for the full year ended 31st December 2011 on 24th February. As the above financial information remains unaudited at this time, it is possible the final results will differ from these numbers. Shareholders are therefore encouraged to review the preliminary final results at the time of making an assessment as to whether to participate in the Rights Issue.

### Cost Reduction

A full review of current costs has been undertaken by the new management. From a combination of staff retrenchments, general operational expenditure cuts and a reorganisation of capital expenditure, cash flow savings in the order of \$1.5-2.0M in 2012 have been identified and are currently being implemented. Cost savings have been targeted at recurring costs associated with administrative expenditure and eliminating excess in poorer performing areas of the business. The senior management restructure and acceptance from other senior managers to participate in cost savings measures has contributed to these cash flow savings. Further efficiencies are being reviewed and implemented and will be brought to account through the current operating year.

### Banking Arrangements

The company's bank has provided ongoing support for the current debt facility subject to various profit and balance sheet covenants. This is a three year facility which is reviewed and renewed by the Company's bank annually subject to compliance with the conditions of the facility. This facility was last reviewed and renewed by the bank in October 2011.

In the event that pearl prices continue at or fall below levels that were achieved from sales made by the Company in the last three months, there is a potential that the covenants relating to the Company's normalised EBITDA could be breached. The Company is in discussion with the bank on this matter at present. The Company is currently in compliance with the covenants of the loan facility.

## Pearl Production

The GFC of 2008/09 resulted in severe operational funding restrictions including a lower number of oyster seedings and a consequently a stalling of growth in pearl output. Oysters from this period were all harvested in 2011 with a total pearl harvest that was significantly less than 2010 but with improved quality and sales price due to increased efforts towards technical excellence.

As previously announced, expansion of the pearl farming operations of the Atlas Group grew in 2010 and continued in 2011 with a substantial increase in the total number of oysters and water based infrastructure. The record levels of seeding in 2010 and 2011 and various other key performance indicators demonstrate to the Board's satisfaction that Atlas has a strong production capability together with a long term trend of improved quality that will compliment its growing biological assets (oysters). Substantial capital and management resources have been invested in our expanding production model resulting in the seeding program increasing by 62% between 2009 and 2011.

The table below is a record of oyster seeding levels for the last four years:

	2011	2010	2009	2008
<b>Total oysters seeded</b>	<b>619,000</b>	<b>466,000</b>	<b>381,000</b>	<b>430,000</b>

Seeding now takes place at both the Bali and Alor farm sites. The expanded program is carefully managed and results company-wide are at our established commercial benchmarks. A review into site by site activities at the newly acquired pearling operations in East Indonesia is underway to streamline production and maximise efficiency based on the successful Bali/Papua model.

The increased seeding of oysters in the last two years will be expected to result in increased pearl production and a focus on quality improvement will position the Company to increase revenue as and when the global pearl markets improve. In the current market, further growth in seeding will be moderated with expenditure curbed to maintain current seeding levels.

## Oyster production

The company now boasts two hatchery facilities that are owned and managed solely by Atlas. These facilities are critical in supporting the expansion of the pearling business whilst at the same time providing risk mitigation through geographical diversity. The company intends to develop a third hatchery facility within the next 12 months.

## Retail

The company's jewellery retail distribution through its six outlets in the popular tourist precincts in Bali continues to show year on year growth. Sales revenue for the retail operation has grown from \$722,000 in 2009 to \$1,309,000 in 2011 (81% growth). A broad cross section of jewellery with a wide price range has ensured that customer demand has remained strong, despite a change in buying patterns to lower value items. In October, Atlas opened its first flagship retail outlet in Perth under the Perl'eco brand. Jewellery development continues and wholesale distribution opportunities are being investigated at present.

## By-product development

In April 2011, Atlas invested \$25,000 into the acquisition of a 3 year research and development program of Mother of Pearl extraction and downstream processing of pearl powder for use in the

luxury beauty and wellness sector (cosmetics, nutraceuticals and perfumes). Steps toward commercialisation are underway with potential partners identified in both New York and Paris.

Mother of Pearl (MOP) is the shell of the pearl oyster. Developments by the Company in downstream processing for use in the cosmetics industry has resulted in the raw material sales value of \$2.50 per kg being dramatically increased to \$18 per kg. This has so far been on a relatively small scale (5,000kg sold to date); however, the Company is focusing on a wider commercialisation of the process.

A novel technique to create a natural unique molecular level signature (a nacre extract) for Atlas pearls is also being investigated. If successful, this technique could revolutionise the ability to guarantee the provenance of our pearls for consumers.

The company is committed to greatly improving the market for by-product materials and believes that in the short to medium term downstream processing and sales of by-products has the potential to become a major income source for the group.

### **Research and Development**

Commercialisation of results from our genetic improvement and selective breeding program are well underway. The clearest indication of the value of this work has been the reduced cycle time by 2-4 months for an average oyster to reach maturity and produce a pearl. Over the next two years this program will reach full scale across our hatchery ventures. If successful, Atlas will be positioned to produce a better pearl in less time than the traditional approach to pearl oyster breeding and aquaculture resulting in improved investment return and production costs.

### **Pearling industry**

In 2010, Atlas started its own wholesale pearl sales division and it has successfully established an international client base. Without this wide range of customers this recent downturn in price and demand would have had a much greater impact on Atlas. This very significant change to our distribution allowed Atlas to capitalise on the improving market conditions that prevailed in late 2010 and 2011. Unfortunately, global market conditions deteriorated in the last quarter of 2011 which directly affected demand for pearls. This in turn caused downward pressure on pearl prices and volume of sales. Due to a lack of reserve capital Atlas was forced to sell into this depressed market in the last quarter of 2011 at substantial discounts. It is the intention of the Board to use the funds from the proposed Rights Issue to position the Company to manage this risk in the future.

Atlas has positioned itself as a high quality producer in a low cost environment. This competitive advantage is now more important than at any point in the Company's history. The Company continues to explore all opportunities for production and value adding to ensure we maximise our capacity to keep cash flow and profits during these difficult economic times. Atlas has remained in a strong market position at a time when many smaller producers in Indonesia and Australia have sold their assets resulting in further market consolidation. In a smaller production pool Atlas continues to become a more significant and important player.

Yours faithfully

**Stephen Birkbeck**  
**Chairman**

## C Details of the Rights Issue

### 1 The Rights Issue

Eligible Shareholders are invited to participate in a pro-rata non-renounceable Rights Issue of up to approximately 84,034,175 New Shares to raise up to approximately \$4,201,709 (before costs associated with the Rights Issue). The Rights Issue is subject to raising a minimum of \$1,500,000 which will require the Issue of 30,000,000 shares. The Rights Issue will be conducted on the basis of 1 New Share for every 1.7 Shares held at 5.00 pm (Perth time) on the Record Date, at an issue price of \$0.05 per New Share, payable in full on application.

Your Entitlement to subscribe for New Shares is shown on your personalised Entitlement and Acceptance Form which accompanies this Offer Document.

New Shares will be fully paid and rank equally in all respects with existing Shares on issue at the Record Date.

### 2 Purpose of the Rights Issue

If all New Shares offered under the Rights Issue are taken up, the Company will raise approximately \$4,201,709 (before costs associated with the Rights Issue).

The funds raised from the Rights Issue will be used for working capital purposes in the following areas.

1. Implement the full commercialisation of Atlas' quality selection programme across all sites
2. Improve infrastructure support in the production programme
3. Ensure all key managerial and technical roles are funded
4. Expand the company's marketing activities and capitalise on emerging markets
5. Commercialise new product lines and value adding initiatives
6. General working capital

Approximately \$2.5M of these funds are to be used to undertake activities 1-3 and 6 above. The remaining \$1.5M that is being sought will be used to fund the activities in 4 and 5 above. As stated above, the Rights Issue is conditional on a minimum amount of \$1.5M being raised. If the Rights Issue does not raise the maximum amount, then funds will be applied to the areas where the highest return on capital is likely to be achieved which would be to items 1, 2 and 6.

### 3 Who is eligible to participate

The Rights Issue is being extended to Eligible Shareholders only. For further details on Eligible Shareholders and Ineligible Shareholders, refer to section 1 of Part F.

The Company reserves the right to reject any Application that it believes comes from a person who is not an Eligible Shareholder.

## 4 Issue Price

The Issue Price is \$0.05 for each New Share. The Issue Price represents a 40% discount to the closing price of Shares on ASX (\$0.083) on the date prior to the announcement of the Rights Issue on 6 February 2012.

## 5 Minimum subscription

There is no minimum subscription under the Rights Issue.

## 6 Non-renounceable

The Rights Issue is non-renounceable. This means that Eligible Shareholders are unable to sell or transfer their Entitlements. Any New Shares not taken up by Eligible Shareholders will form part of the Shortfall. Refer to section 9 of Part C for further information about the allocation of any Shortfall.

## 7 Opening and Closing Date for Applications

The Rights Issue opens for acceptances on 24 February 2012 and all Entitlement and Acceptance Forms and payments of Application Money must be received by no later than 5.00 pm (Perth time) on 16 March 2012, subject to the Directors being able to vary the Closing Date in accordance with the Corporations Act and the Listing Rules.

## 8 Allocation of Shortfall and applying for Additional Shares

The Rights Issue is not underwritten. Shortfall will arise under the Rights Issue where Eligible Shareholders do not take up their full Entitlements.

The Directors reserve the right in accordance with the Corporations Act and ASX Listing Rule 7.2 (exemption 3) to allocate the Shortfall as set out below.

Eligible Shareholders who apply for their full Entitlement may also apply for Additional Shares in excess of their Entitlement. Additional Shares will only be available where Shortfall arises under the Rights Issue. Additional Shares will be issued at the Issue Price of \$0.05 per Share. Section 5 of Part D contains instructions on applying for Additional Shares.

If applications for Additional Shares exceed the Shortfall that arises under the Rights Issue, the Company will scale back applications for Additional Shares pro rata based on the Entitlements of those Applicants.

If the scale back produces a fractional number of Additional Shares when applied to an application, the number of Additional Shares to be allocated will be rounded up to the nearest whole number of Additional Shares.

In the event of a scale back, any excess Application Money received will be refunded without interest.

If any Shortfall arising under the Rights Issue exceeds applications received for Additional Shares, the Directors reserve the right to place the remaining Shortfall with any other persons selected by them. Any remaining Shortfall will be placed no later than

3 months after the Closing Date and will be issued on the same terms as are offered to Eligible Shareholders under the Rights Issue.

Related parties of the Company (including Directors) who are Eligible Shareholders will be eligible to apply for Additional Shares. Any issue of Additional Shares to a related party (including a Director) will be conditional on a resolution of Shareholders being passed to approve the issue for the purposes of Listing Rule 10.11.

## 9 Rounding of Entitlements

For the purposes of calculating Entitlements, fractional entitlements to New Shares will be rounded up to the nearest whole New Share.

Where the Company considers that holdings have been split in order to take advantage of this rounding, the Company reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements

## 10 Enquiries

If you have any enquiries in relation to your Entitlement and Acceptance Form or your Entitlement, please contact the Company's Share Registry on 1300 557 010 (for callers within Australia) and +61 8 9323 2000 (for callers outside Australia) at any time from 8.30 am to 5.00 pm (Perth time) Monday to Friday, or consult your professional adviser.

## D How to participate

### 1 Read the Offer Document

**Before taking any action, you should read the whole of this Offer Document including the Announcement, the Entitlement and Acceptance Form and other information made available.**

As stated on page 1 of this Offer Booklet, the Rights Issue is not being made under a disclosure document or prospectus. Accordingly, it is also important for Shareholders to read and understand the publicly available information on the Company and the Rights Issue prior to accepting their Entitlements.

### 2 Consider the Rights Issue in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant, financial or other professional adviser if you have any queries or are uncertain about any aspect of the Rights Issue. In particular, please refer to Part E 'Risk factors', which describes some of the key risks in relation to an investment in the Company.

### 3 What you may do – choices available

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form. If you are an Eligible Shareholder you may:

<b>Alternative</b>	<b>Further information</b>
Take up your Entitlement in full or in part	<b>Section 4 of Part D</b>
Take up your Entitlement in full and apply for Additional Shares	<b>Section 5 of Part D</b>
Allow all or part of your Entitlement to lapse	<b>Section 8 of Part D</b>

### 4 If you wish to take up your Entitlement in full or in part

If you wish to take up all or part of your Entitlement, either:

- Complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up in accordance with the instructions on the form and return your completed form in the enclosed reply paid envelope, together with a cheque, bank draft or money order for the applicable amount of Application Money, to the Share Registry at the address set out in section 7 of Part D so that is received by no later than 5.00 pm (Perth time) on 16 March 2012.

OR:

- Make payment of the applicable amount of Application Money for the number of New Shares you wish to take up by BPAY in accordance with the instructions on the

Entitlement and Acceptance Form so that the payment is received by no later than 5.00 pm (Perth time) on 16 March 2012. If you use BPAY you do not need to complete and return your Entitlement and Acceptance Form.

## 5 If you wish to take up your Entitlement in full and apply for Additional Shares

As mentioned in section 9 of Part C, if you take up all of your Entitlement, you may also apply for Additional Shares.

If you wish to take up your Entitlement in full and apply for Additional Shares either:

- Complete the Entitlement and Acceptance Form for your full Entitlement and nominate the number of Additional Shares for which you wish to apply in accordance with the instructions on the form and return your completed form in the enclosed reply paid envelope, together with a cheque, bank draft or money order for the applicable amount of Application Money for your Entitlement and the number of Additional Shares applied for, to the Share Registry at the address set out in section 7 of Part D so that is received by no later than 5.00 pm (Perth time) on 16 March 2012.

OR:

- Make payment of the applicable amount of Application Money for your full Entitlement and the number of Additional Shares for which you wish to apply by BPAY in accordance with the instructions on the Entitlement and Acceptance Form so that the payment is received by no later than 5.00 pm (Perth time) on 16 March 2012. If you use BPAY you do not need to complete and return your Entitlement and Acceptance Form.

## 6 Payment for New Shares

The Issue Price of \$0.05 per New Share is payable in full on application.

All payments are to be made in Australian currency by cheque, bank draft or money order drawn on and payable at any Australian bank or by BPAY.

Cheques, bank drafts and money orders should be made payable to "**Atlas South Sea Pearl Limited NRI A/C**" and crossed "Not Negotiable".

Applicants are asked not to forward cash. Receipts for payments will not be issued.

BPAY payments should be made in accordance with the instructions on the Entitlement and Acceptance Form using the BPAY Biller Code and unique Customer Reference Number shown on the form. You can only make a payment by BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

Please note that if you elect to apply for New Shares (including Additional Shares) by making a payment by BPAY:

- you are not required to return the Entitlement and Acceptance Form but are taken to make the declarations and other statements on the form and in this Offer Document as if you had returned the form including those referred to in section 9 of Part D;

- if you do not pay for your full Entitlement, you will be taken to have applied for such whole number of New Shares as is covered by your BPAY payment; and
- it is your responsibility to ensure that your BPAY payment is received by no later than 5.00 pm (Perth time) on the Closing Date and you should be aware that financial institutions may implement earlier cut-off times with regards to BPAY payments and take this into consideration when making the payment.

Application Money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be retained by the Company, irrespective of whether allotment takes place.

Any Application Money received for more than your final allocation of New Shares (including any Additional Shares applied for) will be refunded as soon as practicable.

## 7 Address details and enquiries

Completed Entitlement and Acceptance Forms (including payment of Application Money) should be forwarded to the Company's Share Registry by mail in the enclosed prepaid envelope or delivered to the following addresses:

**By mail:**

Atlas South Sea Pearl Limited  
C/- Computershare Investor Services Pty Limited  
Locked Bag 2508  
Perth WA 6001

**By delivery:**

Atlas South Sea Pearl Limited  
C/- Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth WA 6000

(Please do not use this address for mailing purposes)

## 8 If you do not wish to take up all or any part of your Entitlement

To the extent you do not wish to take up all or part of your Entitlement, it will lapse and form part of the Shortfall. As the Rights Issue is non-renounceable, you cannot sell or transfer any part of your Entitlement.

Shareholders who do not take up their Entitlement in full will not receive any payment or value for that part of the Entitlement they do not take up. Shareholders who do not take up their Entitlement in full will continue to own the same number of Shares but have their proportionate interest in the Company diluted.

## 9 Consequences of taking up New Shares

Submitting an Application constitutes a binding offer by you to acquire New Shares (including any Additional Shares applied for) on the terms and conditions set out in this

Offer Document and, once lodged, cannot be withdrawn. The Entitlement and Acceptance Form does not need to be signed to be binding on you.

If an Application is not completed or submitted correctly it may still be treated as a valid Application for New Shares. The Company also reserves the right to reject any Applications that are not made in accordance with the terms of this Offer Document and the instructions on the Entitlement and Acceptance Form.

The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit the Application is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY, you:

- (a) agree to be bound by the terms of this Offer Document and the provisions of the Company's constitution;
- (b) authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- (c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;
- (d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Rights Issue;
- (e) acknowledge that once the Company receives the Entitlement and Acceptance Form or your payment by BPAY, you may not withdraw it except as allowed by law;
- (f) agree to apply for, and be issued with up to, the number of New Shares that you apply for at the Issue Price of \$0.05 per New Share;
- (g) authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (h) declare that you are the current registered holder(s) of the Shares in your name at the Record Date;
- (i) acknowledge that the information contained in this Offer Document is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- (j) acknowledge, represent and warrant that the law of any other place does not prohibit you from being given this Offer Document or making an application for New Shares; and
- (k) acknowledge, represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Document and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements, contained in this Offer Document and the Entitlement and Acceptance Form.

## 10 When will you receive your New Shares?

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares will be allotted and that transaction confirmation statements will be despatched, on or before 23 March 2012. However, if the Closing Date is extended, the date for allotment and despatch may also be extended.

No allotment of New Shares will be made until permission is granted for their quotation by ASX. If quotation for the New Shares is not granted, the Company will not allot any New Shares and will refund all Application Money without interest.

It is the responsibility of each Applicant applying for New Shares to confirm their holding before trading in those New Shares. Any person who sells New Shares before receiving confirmation of their holding in the form of the transaction confirmation statement will do so at their own risk. The Company and the Share Registry disclaim all liability, whether in negligence or otherwise, to any person who trades in New Shares before receiving their transaction confirmation statement.

The Directors may at any time prior to allotment of New Shares decide to withdraw this Offer Document and the offers made under the Rights Issue, in which case the Company will return all Application Money (without interest) as soon as practicable.

## E Risk factors

Prior to deciding whether to apply for New Shares under the Rights Issue, Eligible Shareholders should read this Offer Document in its entirety and review all announcements made to the ASX in order to gain an understanding of the Company, its activities, operations, financial position and prospects.

Applicants should be aware that there are risks associated with an investment in the Company. These can be categorised as general risks (that is, matters that relate to business in general) and specific risks (those that relate directly to the Company's business). Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many are outside the control of the Company and cannot be mitigated.

The New Shares carry no guarantee in respect of profitability, return of capital or the price at which they will trade on ASX. An investment in the Company is speculative.

The following is not an exhaustive summary but identifies the areas the Board regards as the major risks specific to an investment in the Company.

### 1 General Risk Factors

#### 1.1 Economic Conditions

The performance of the Company may be significantly affected by changes in both domestic and world economic conditions. Relevant factors include interest, inflation and exchange rates, changes in fiscal, monetary and regulatory policies and sovereign or political risk in each of the regions in which the Company operates.

#### 1.2 Share market conditions

As the Company is a listed company, the price at which its securities trade will be subject to the numerous influences that may affect both the broad trend in the share market and the share prices of individual companies and sectors. Investors should recognise that the price of New Shares may fall as well as rise.

#### 1.3 Geo-political Factors

The Company may be affected by the impact that geo-political factors have on the world or Australian economy or on financial markets and investments generally or specifically. This may include terrorist type activities and governmental responses to such activities.

#### 1.4 Government Policies & Legislation

The Company and its operations may be affected by changes to government policies and legislation, including those relating to the defence and domestic security sectors, the environment, taxation and the regulation of trade practices and competition.

#### 1.5 Capital Availability

Current economic conditions can impact on the availability of debt and equity funding that may be required to support the cash flow of a business. The Company's operations may be affected by availability of funding which would impact on its ability to maintain business operations at its current levels.

## **1.6 Share Liquidity**

Due to the size and nature of the Company, the liquidity of its shares traded of the Australian Securities Exchange can be low. This could impact your ability to sell the shares that you acquire.

## **2 Specific Risk Factors**

Aquaculture is a high risk industry and the business of pearl farming carries many of these risks. The Company continues to monitor these risks and where possible, it implements operational protocols and risk management to limit these risks. However, some risks associated with pearl farming are difficult to manage and outside of the control of the Company.

The following is a list of risk factors that need to be considered when investing in this industry. This list is not intended to be exhaustive.

### **2.1 Weather/Climate**

The *Pinctada maxima* oyster from which the South Sea pearl is produced is susceptible to climatic changes which affect water temperature, salinity and nutrient content. The Company has been affected by climate changes in the past but these have been mitigated to some extent by the geographical diversification of the business over different parts of Indonesia. Adverse weather and climate conditions are difficult to manage but are considered when planning oyster movement and husbandry.

### **2.2 Pollution and Disease**

Pearl oysters may be lost as a result of pollution and disease. This is managed through rigorous cleaning and observation schedules which are maintained throughout the year on oyster stocks. Protocols are in place to isolate any disease outbreaks on farms. Pollution is reduced by the remote locations of oyster farms. Historically, pollution and disease have not significantly impacted on the Company's capacity to produce oysters.

### **2.3 Retention of key personnel**

The Company employs a management team that is highly trained to carry out the supervision of the technical issues that are required to successfully operate a pearling business. The Company's operations may be adversely impacted if one or more of these key management personnel cease employment.

The retention of key management personnel is constantly reviewed and remuneration and working conditions are set to retain the experience and skills that are developed by these individuals. Long term Indonesian staff, experienced in all parts of the business, are employed in many middle management positions. Pearl seeding is undertaken in-house, mainly by Indonesian staff, so there is not a reliance on contract technicians for this critical task. The results of using in-house staff versus contract technicians have shown significant improvements in pearl retention and pearl quality.

### **2.4 Interest Rate Risk**

The Company may be affected by interest rate movements with respect to its long term and short term borrowings. Interest on the Company's borrowings is paid at variable rates which exposes the Company to cash flow interest rate risk.

## **2.5 Default Risk**

The Company's operations may be adversely affected by a customer or counterparty to a financial instrument or material contract failing to meet its contractual obligations.

## **2.6 Liquidity Risk**

The Company may be affected by a deterioration in its cash flows. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## **2.7 Currency Risk**

The Company trades in Japanese Yen as its primary currency for the negotiation of pearl sales. A large proportion of the Company's operation expenditure is denominated in Indonesian Rupiah. Therefore, movements in foreign exchange rates may affect the Company's financial performance. The Company undertakes currency hedging within a risk policy framework to mitigate these risks where possible.

## **2.8 Commodity and Competition Risk**

Pearls trade as a luxury commodity and their price is subject to changes in supply and demand. Similarly, the level of demand for pearls is subject to macroeconomic demand levels which in turn are influenced by global economic conditions. The Company has recently experienced a drop in both demand and prices for its pearls driven largely by the volatile economic conditions globally. South Sea pearls produced by the Company compete with other pearls such as Black pearls, Akoya pearls and Fresh Water pearls. Pearls also compete with other gems such as diamonds and metals such as gold and platinum within the jewellery industry.

## **2.9 Geo-political/Security Risk**

The Company's farming assets are located in Indonesia and are subject to political risks associated with that region. Indonesia has experienced security risks from time to time and the Company undertakes risk management on an ongoing basis at all levels to manage this.

## **2.10 Solvency**

The Company's ongoing solvency is dependent upon its ability to maintain adequate sales of loose pearls at a price that is above the cost of production. The current pearl prices mean that this is currently being achieved.

## **2.11 Bank Covenants**

The company's bank has provided ongoing support for the current debt facility subject to various profit and balance sheet covenants. This is a three year facility which is reviewed and renewed by the bank annually subject to compliance with the conditions of the facility. This facility was last reviewed and renewed by the bank in October 2011.

In the event that pearl prices continue at or fall below levels that were achieved from sales made by the Company in the last three months, there is a potential that the covenants relating to the Company's normalised EBITDA could be breached. The Company is in discussion with the bank on this matter at present. The Company is currently in compliance with the covenants of the loan facility.

## F Additional information

### 1 Shareholders outside Australia and New Zealand

#### 1.1 Ineligible Shareholders

The Company is not offering the Rights Issue to Ineligible Shareholders. The Company has decided that it is unreasonable to extend the Rights Issue to Ineligible Shareholders having regard to:

- (a) the cost of complying with legal and regulatory requirements outside Australia and New Zealand;
- (b) the number of Ineligible Shareholders; and
- (c) the number and value of New Shares which could be offered to Ineligible Shareholders.

Where the Offer Document has been dispatched to Ineligible Shareholders, the Offer Document is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

#### 1.2 General restrictions

This Offer Document and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares outside Australia and New Zealand. The New Shares may not be offered in a jurisdiction outside Australia and New Zealand where such an offer is not made in accordance with the laws of that place.

The distribution of this Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who come into possession of this document outside Australia and New Zealand should seek advice on and observe any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their Application. Return of a duly completed Entitlement and Acceptance Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the Applicant is physically present in Australia or New Zealand.

Eligible Shareholders resident outside Australia should consult their professional advisers as to whether, in order to enable them to accept their Entitlements, any governmental or other consents are required, or other formalities need to be observed.

### 1.3 New Zealand securities law requirements

The Rights Issue will be offered in New Zealand pursuant to the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

## 2 Potential effect on control and capital structure

At the date of this Offer Document the Company is of the view that there is no one entity that controls the Company.

However, following the close of the Rights Issue the shareholding of certain shareholders could alter to the extent they have a relevant interest in the Company that is 20% or more.

The table below illustrates the possible effects of the Rights Issue on the relevant interests of:

- (a) Mr Stephen Birkbeck, a director of the Company; and
- (b) Mr W G & Ms B M Martin (including shares held by Jingie Investments Pty Ltd)
- (c) Warman (Nominees) Pty Ltd

Shareholder	Current relevant interest		Post Offer relevant interest if shareholder takes up only their entitlement, doesn't participate in any shortfall and other shareholders subscribe for shares to satisfy the minimum subscription of \$1.5 million			Post Rights Issue relevant interest if shareholder takes up 50% of all Shares offered under the Rights Issue (ie they subscribe for all of their Entitlements, plus sufficient Shares under the Shortfall to make up a total of 50% of the Rights Issue and no other shareholders subscribe)		Post Rights Issue relevant interest if shareholder takes up all Shares offered under the Rights Issue (ie they subscribe for all of their Entitlements, plus all of the Shares available under the Shortfall, and no other shareholders subscribe)	
	No.	%	No.	No.	%	%	No.	%	
S. Birkbeck	17,155,581	12%	27,247,100	16%	59,172,668	32%	101,189,756	45%	
W & B Martin	12,800,000	9%	20,329,412	12%	54,817,088	30%	96,834,175	43%	
Warman (Nominees) Pty Ltd	8,453,552	6%	13,426,230	8%	50,470,640	27%	92,487,727	41%	

Nb: As Mr S Birkbeck is a related party of the Company, his participation in the Shortfall is subject to shareholder approval.

Other potential effects of the Rights Issue on the control of the Company include:

- (a) if some Eligible Shareholders do not take up all of their Entitlements, then the proportional interest of those Eligible Shareholders in the Company will be diluted; and
- (b) the proportional interest of Ineligible Shareholders in the Company will be diluted because Ineligible Shareholders are not entitled to participate in the Rights Issue.

The capital structure of the Company after the Rights Issue will be as follows (subject to rounding of any Entitlements under the Rights Issue):

Shares currently on issue	142,858,097
Maximum number of New Shares offered under the Rights Issue	84,034,175
Total Shares on issue on completion of the Rights Issue assuming maximum number of New Shares offered are issued	226,892,272

### 3 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot, in most circumstances, withdraw your Application once it has been submitted.

### 4 Taxation consequences

The taxation consequences of any investment in New Shares will depend upon your particular circumstances.

Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

### 5 Privacy

The information about Applicants included on an Entitlement and Acceptance Form is used for the purposes of processing the Entitlement and Acceptance Form and to administer the Applicant's holding of New Shares. By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the form for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. A fee may be charged for access. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Computershare Investor Services Pty Limited

By mail:            Locked Bag 2508  
                         Perth WA 6001

By phone:         +61 (0)8 9323 2000

## G Glossary

<b>Additional Shares</b>	New shares applied for by an Eligible Shareholder that are in excess of that Eligible Shareholder's Entitlement
<b>Announcement</b>	The ASX announcement relating to the Rights Issue, as announced by the Company on 6 February 2012 and contained in Part B
<b>Applicant</b>	A person who makes an Application
<b>Application</b>	An application to subscribe for New Shares under this Offer Document
<b>Application Money</b>	Money payable by Applicants in respect of Applications
<b>ASIC</b>	The Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as applicable
<b>Board</b>	The board of directors of the Company
<b>Closing Date</b>	16 March 2012 (unless extended)
<b>Company</b>	Atlas South Sea Pearl Limited ACN 009 220 053
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Director</b>	A director of the Company
<b>Eligible Shareholder</b>	A Shareholder as at 5.00pm (Perth time) on the Record Date and who is not an Ineligible Shareholder
<b>Entitlement</b>	The entitlement to 1 New Share for every 1.7 Shares held at 5.00 pm (Perth time) on the Record Date. The entitlement of each Eligible Shareholder is shown in on the Entitlement and Acceptance Form.
<b>Entitlement and Acceptance Form</b>	The Entitlement and Acceptance Form accompanying this Offer Document
<b>Ex Date</b>	14 February 2012
<b>Ineligible Shareholder</b>	A Shareholder with an address in the Register outside Australia and New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board, in its sole discretion, regards as acceptable and not unduly onerous
<b>Issue Price</b>	\$0.05 per New Share
<b>Listing Rules</b>	The official listing rules of ASX, as amended or waived by ASX from time to time
<b>New Shares</b>	Shares offered under the Rights Issue

<b>Offer Document</b>	This offer document
<b>Opening Date</b>	24 February 2012
<b>Record Date</b>	20 February 2012
<b>Register</b>	The register of Shareholders required to be kept under the Corporations Act
<b>Right</b>	The right to subscribe for a New Share under this Offer Document
<b>Rights Issue</b>	The non-renounceable pro-rata offer of 1 New Share for each 1.7 Shares held by an Eligible Shareholder at 5.00 (Perth time) on the Record Date at the Issue Price
<b>Share</b>	A fully paid ordinary share in the Company
<b>Share Registry</b>	Computershare Investor Services Pty Limited ACN 078 279 277
<b>Shareholder</b>	A holder of Shares
<b>Shortfall</b>	The number of New Shares which were not applied for by Eligible Shareholders pursuant to their respective Entitlements