ATLAS SOUTH SEA PEARL LIMITED

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

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

30 JUNE 2009

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DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2009

The Directors present the financial report of the consolidated entity, being Atlas South Sea Pearl Limited ("the Company") and its controlled entities for the half year ended 30 June 2009 and the auditors report thereon.

DIRECTORS' REPORT

The Directors of the Company during or since the end of the half year are:

Name	**Period of Directorship**
George Robert Warwick Snow, B.Ec. *Chairman*	Director since 28 October 1997 Chairman since 28 July 2004
Ian Mackenzie Murchison, B.Comm, FCA, Dip. Naut. Sc. *Non-Executive Director*	Director since 28 July 2004
Stephen Paul Birkbeck *Non-Executive Director*	Director since 15 April 2005
Joseph James Uel Taylor, B.Sc. (Biology), Ph.D. *Non-Executive Director*	Director since 13 September 2000 Managing Director from 31 August 2001 to 1 June 2009
Richard Allen Wright, M. Mar. Affairs, B.Sc. (Chemical Engineering) *Managing Director*	Director since 10 March 2009 Appointed Managing Director on 1 June 2009

ACTIVITIES AND REVIEW OF OPERATIONS

1. Comparison to Prior Periods

The activities of the economic entity are:

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

There has been no significant change in the pearl farming activities of the economic entity since the last year-end report. The economic entity's activities in jewellery manufacturing and distribution has increased since the last year-end report and now this represents nearly 12% of the total turnover of the business.

A comparison of results of operations for the six months ended 30 June 2009 to the corresponding six months ending 30 June 2008 should be considered in the context of the following factors:

1. A further two retail outlets were operating in Bali in 2009 which were not open in the same period in 2008; and
2. The impact of the global financial crisis, which commenced in the second half of 2008 and remains an influencing factor.

2. Financial Result

a. Corporate funding

i. Capital Raising –
The Company undertook a successful rights issue in April 2009 which raised $2.9M. This capital raising was oversubscribed and has provided a cash reserve to fund any potential opportunities that may arise as well as ensuring that there is a working capital reserve if cash flow is affected in the short term.

ii. Bank loan facility
The Company has renegotiated its current bank loan facility with the Commonwealth Bank for a further two years. The loan will continue to be denominated in Japanese Yen to reduce the cost of funds. The loan facility limit has been reduced from $6M to $5.5M. As at the 30 June 2009, the drawn down balance of this bank facility was $3.59M.

b. Profit

The Company has generated a profit of $970,603 (2008 – $4,275,928) for the six months to 30 June 2009. This represents an EBITDA (excluding the effect of foreign exchange movements and changes in the fair market value of Biological and Agricultural assets) of $211,632 (2008 - $2,717,672)

The operating result was influenced by the following factors:

i. Revenue –
Total operating revenue for the period was $3,686,193 (2008 - $7,456,587).

Income from pearl sales for the six months to 30 June 2009 was $2,706,268, down 62% compared to the prior year. This was caused by lower sales volume (55%) and a reduction in price (41%) as a result of lower demand in this period. There is uncertainty about loose pearl sales for the remainder of 2009.

Income from jewellery sales for the six months to 30 June 2009 was $350,962 which represents a 62% increase compared to the same period last year. Jewellery sales for the second half of 2009 are expected to be higher with more tourist traffic in the second half of the year in Bali.

ii. Costs –
Cost of sales – in the first six months of 2009, the gross profit margin on loose pearl sales was 15% lower than the same period last year. This was effected by lower prices (see above). However, a lower cost of production on a per unit basis reflects efficiencies in production.

Marketing costs – as a result of lower loose pearl sales, marketing expenses in the first six months to 30 June 2009 were $294,544, down 75% from the prior year.

Foreign currency movements – there was a net exchange gain of $1,556,966 for the first six months of 2009 (2008 – loss of $421,639) as a result of a strengthening of the Australian Dollar against the Japanese Yen and other currencies. With the company's bank debt and currency hedging contracts denominated in Japanese Yen, the gain represents realised and unrealised currency movements in this six month period.

Biological and Agriculture assets – in the six months to 30 June 2009, there was a net gain before tax of $204,785 (2008 – $3,362,147) on the mark to market revaluation of the company's oyster and pearl stocks.

c. Net Tangible Assets

The Company's net tangible assets per share were $0.20 as at 30 June 2009 compared to $0.25 as at 31 December 2008.

d. Net Cash flow

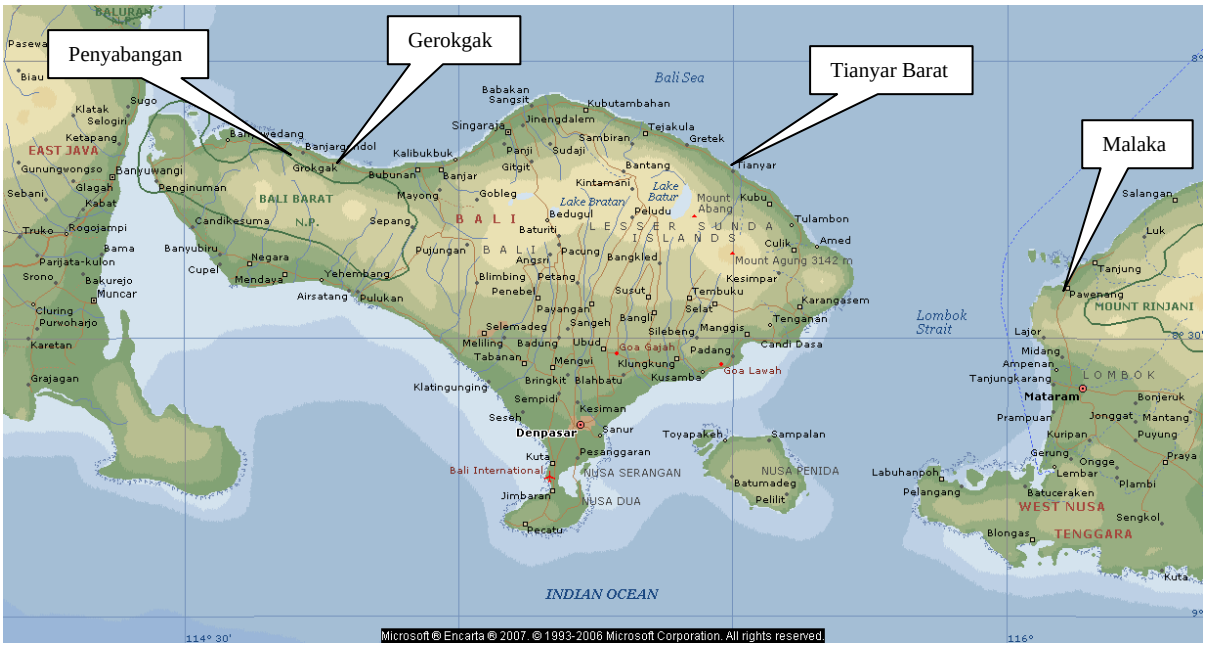
Operating cash inflows for the first six months of 2009 were $381,063 (2008 - outflow $955,945). $2.9M of capital was raised from an issue of shares in April 2009.

3. Pearling Operations

a. Juvenile Oyster Production Results

The hatchery production at the company's North Bali and shared Lombok facilities during the 2008/09 spawning season was successful. The number of juvenile oysters that were produced in the 2008/09 hatchery season were more than sufficient to meet the Company's production targets. For the first time, part of the hatchery breeding program utilised selected oysters from the genetic research program.

There are now three farm sites located on the north coast of Bali. The hatchery has been relocated to the Gerokgak site. All seeding of virgin (un-operated) oysters is carried out at Penyabangan. The oysters are rested after operation before being shipped to the pearl farms at Alyui Bay in Papua Province. Only oysters that are growing pearls are transferred which creates significant efficiencies in shipping costs. The Company continues to run a jointly funded hatchery in Malaka, Lombok but this shared arrangement will cease before the end of 2009.



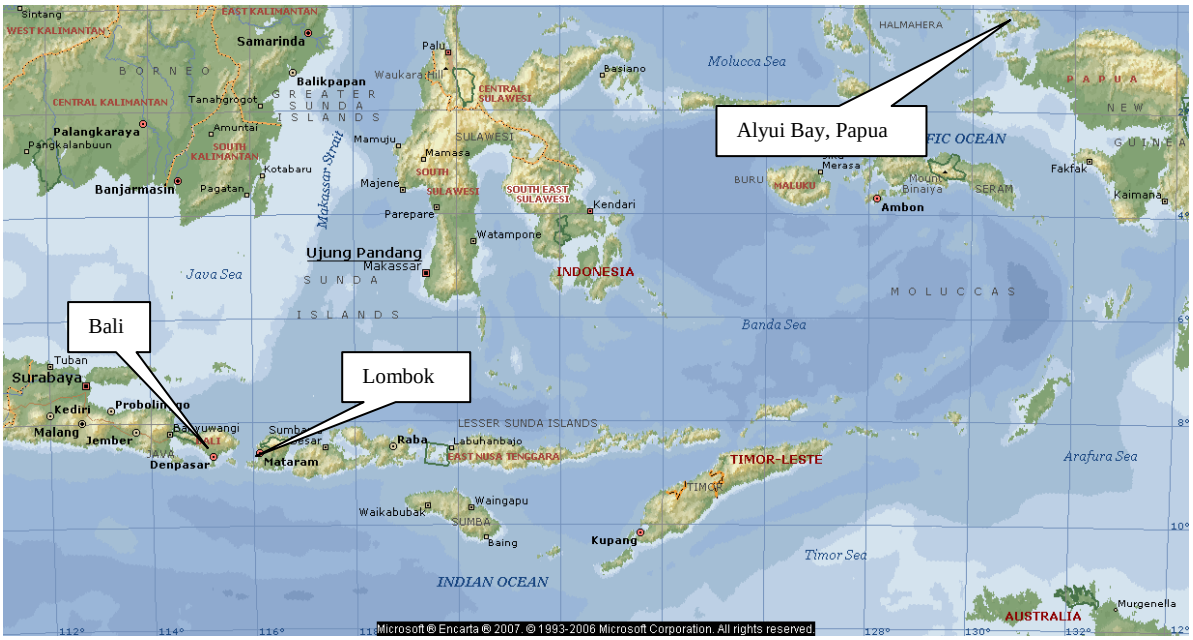
Map showing Bali and Lombok pearl farm/hatchery sites

b. Pearl Production Results

In the six months to 30 June 2009, 211,000 oysters have been seeded at the Bali and Alyui Bay (Papua) pearl farms. Seeding of virgin oysters will cease at the Alyui Bay site in the second half of 2009 when the remaining unseeded oysters have been operated. Re-seeding of oysters as part of the harvest will continue at the Alyui farm.

As the outcomes of the Company's genetics research program are realised and with an ongoing focus on high quality seeding results, there will be a trend towards improved pearl quality. The focus on quality continues to be a strong driver for improvement in future income growth and profitability.

The Alyui Bay centre will focus its efforts on maintenance and harvesting of seeded oysters. The site continues to produce high quality pearls and is ideally suited to mature oyster maintenance with its diverse marine ecology, regular water flow and isolation from potential pollution and security threats. Efficiencies have been implemented in operating procedures to reduce operating costs at this facility with further reductions planned in the second half of 2009.



Map showing all pearl farm/hatchery sites in Indonesia

c. Wholesale Pearl Sales

The Company recently announced that it would not be renewing the pearl distribution agreement with Pearl Autore International (PAI) which is due to expire at the end of 2009. This longstanding commercial arrangement between PAI and Atlas has achieved significant mutual benefits. However, the decision was made that the Company needs to take a more active role in the marketing and distribution of its product and that the outsourcing of this function represents a weakness in the Group's overall business model in the long term. The Company will continue to be represented by PAI for the remainder of 2009. Sales for the six months to June 2009 were weaker as a result of low demand from traditional wholesale buyers. PAI has continued to achieve sales in this difficult economic environment, but with lower volume and prices have been between 30-50% below last year's equivalent levels.

d. Jewellery Retail and Wholesale Operations

The company's pearl jewellery operations continue to grow. There are now four retail outlets open in Bali which have been performing consistently over the last twelve months. Sales turnover is higher in the first half of 2009 compared to 2008. Expansion of the retail business continues with an outlet being considered in Jakarta. Customers continue to be attracted by the value proposition that is offered through the selection of affordable luxury items that are available in our retail outlets.

Significant progress has been made in our jewellery manufacturing division. A portion of the Company's jewellery manufacturing is still carried out in Bali, Indonesia. In an effort to streamline the manufacturing and increase volume and efficiency, an arrangement with a Hong Kong based jewellery manufacturer with over 25 years experience has seen larger volumes of high quality pearl jewellery manufactured in China. Progress has been made to secure jewellery sales with a number of retailers who expressed interest in the Company's products after its launch at the Hong Kong Jewellery fair in March 2009.

e. By-product Results

The sale of mother of pearl continues and we expect this to remain a significant part of the by-product revenue. Work continues in seeking markets for pearl oyster as sea food.

4. Operating Environments

a. Socio-Political and Security

The Company continues to carefully monitor the security of its staff and assets in Indonesia. It believes that there has been an improvement in the overall socio-political situation in Indonesia. Recent terrorist events in Jakarta are not expected to have a direct impact on the Company's operations in Indonesia.

b. Environmental and Social

The Company's active involvement in both social and environmental initiatives remains a key component of our philosophy. Our scholarship programme for the children of local villagers is creating education opportunities. Support for the local communities continues through the provision of paid farm work, the supply of reject by-product material for use in local handicrafts, our direct support of cottage industries in the repair and recycling of our farm materials, the supply of critical utility support and the supply of transport otherwise not available from existing national services.

Atlas South Sea Pearl is committed to operating its pearling ventures in a socially, environmentally and ethically responsible manner. The Company continues to assist with environmental awareness campaigns in and around the immediate localities of its farms with recognition received from international NGO's and local authorities.

c. Personnel

Employee numbers have been reduced compared to last year, mainly in the area of day labour. As of 30 June 2009, Atlas South Sea Pearl and the Indonesian subsidiary PT Cendana Indopearls employed 385 people in Indonesia (June 2008: 568). It is necessary for the Company to maintain a core workforce to maintain its operations at the current level.

SIGNIFICANT CHANGES

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

DIVIDENDS

No dividend has been paid in the six months to 30 June 2009. (2008: A dividend of 2 cents per share was paid on 14th July 2008).

DIRECTORS MEETINGS

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

Director	Period	Number of Directors Meetings		Audit Committee Meetings	
		Held	Attended	Held	Attended
G.R.W. Snow	01/01/09 - 30/06/09	7	7	1	1
I.M. Murchison	01/01/09 - 30/06/09	7	7	1	1
S.P. Birkbeck	01/01/09- 30/06/09	7	7	1	1
J.J.U. Taylor	01/01/09 - 30/06/09	7	6	1	1
R.A. Wright	10/03/09 - 30/06/09	4	4	1	1

As at the date of this report the economic entity has an audit committee which is made up of the non-executive members of the Board. The Directors have the right, in connection with their duty and responsibilities as directors, to seek independent professional advice at the Company's expense.

DIRECTORS' BENEFITS

Pursuant to an agreement with Stephen Birkbeck, fees of $30,000 were charged to the Company during the half year which represents a consulting fee for marketing advice (six months to 30 June 2008 - $Nil).

Apart from the foregoing, since the previous financial year end, no Director of the Company has received or has become entitled to receive a benefit (other than the emoluments disclosed in the annual financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related

company with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS SHAREHOLDINGS

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

Current Holdings

	Ordinary Shares	
	Direct	**Indirect**
G.R.W. Snow	-	18,558,911
I.M. Murchison	-	1,499,999
S.P. Birkbeck	-	1,283,333
J.J.U. Taylor	20,000	1,200,000
R.A. Wright	-	-

AUDITOR'S INDEPENDENCE DECLARATION

The auditors Independence declaration as required by section 307C of the Corporations Act 2001, on page 7 forms part of the directors report for the half year ended 30 June 2009.

ON BEHALF OF THE BOARD

G.R.W. SNOW
Chairman
31 August 2009

BDO Kendalls

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ABN 79 112 284 787

31st August 2009

The Directors
Atlas South Sea Pearl Limited
43 York Street
SUBIACO WA 6008

Dear Sirs

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ATLAS SOUTH SEA PEARL LIMITED

As lead auditor for the review of Atlas South Sea Pearl Limited for the half-year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Glyn O'Brien
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2009

		Half Year	
	Note	**2009**	**2008**
		$	**$**
Revenue from continuing operations	2	3,686,193	7,456,587
Cost of goods sold		(1,101,562)	(1,245,553)
Gross profit		2,584,631	6,211,034
Other income	2	5,381,742	3,742,569
Marketing expenses		(294,544)	(1,196,196)
Administration expenses		(2,482,534)	(2,197,322)
Finance costs		(79,973)	(57,968)
Research & development		(33,333)	(74,500)
Other expenses		(3,214,901)	(363,377)
Profit before income tax expense		**1,861,088**	**6,064,240**
Income tax expense		(890,485)	(1,788,312)
Profit for the half year		**970,603**	**4,275,928**
Other comprehensive income/(expenses)			
Exchange differences on translation of foreign operations		(1,065,256)	(603,815)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(expenses) for the half year , net of tax		(1,065,256)	(603,815)
Total comprehensive income/(expenses) for the half year		**(94,653)**	**3,672,113**
Profit is attributable to: owners of the Company		**970,603**	**4,275,928**
Total comprehensive income /(expenses)for the half year is attributable to:			
Owners of the Company		**(94,653)**	**3,672,113**
Overall Operations:			
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	3	0.93	4.75
Diluted earnings per share (cents)	3	0.93	4.75

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

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

	Note	30/06/09 $	31/12/08 $
CURRENT ASSETS			
Cash and cash equivalents		2,522,896	437,464
Trade and other receivables		2,043,394	4,646,324
Financial instruments	4	-	-
Inventories		7,102,159	7,275,625
Biological assets	5	4,378,516	8,133,219
Total Current Assets		16,046,965	20,492,632
NON-CURRENT ASSETS			
Receivables		269,227	36,802
Inventories		110,507	89,951
Biological assets	5	14,083,762	9,917,315
Property, plant and equipment		2,395,469	2,807,501
Deferred tax assets		671,976	1,178,040
Total Non-Current Assets		17,530,941	14,029,609
Total Assets		33,577,906	34,522,241
CURRENT LIABILITIES			
Payables		1,112,072	1,594,317
Borrowings		3,594,125	4,461,309
Financial instruments	4	330,660	2,956,100
Current tax liabilities		35,511	-
Short-term provisions		64,133	-
Total Current Liabilities		5,136,501	9,011,726
NON-CURRENT LIABILITIES			
Payables		55,563	-
Deferred tax liabilities		3,447,251	3,242,358
Long-term provisions		33,190	97,014
Total Non-Current Liabilities		3,536,004	3,339,372
Total Liabilities		8,672,505	12,351,098
Net Assets		24,905,401	22,171,143
Equity			
Contributed equity	9	22,073,494	19,250,564
Reserves		(6,116,807)	(5,057,532)
Retained profits		8,948,714	7,978,111
Total Equity		24,905,401	22,171,143

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

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Attributable to owners of Atlas South Sea Pearl Limited			
Consolidated	**Contributed equity**	**Reserves**	**Retained earnings**	**Total equity**
	$	**$**	**$**	**$**
Balance at 1 January 2008	19,544,815	(6,224,108)	10,055,023	23,375,730
Profit for the half-year	-	-	4,275,928	4,275,928
Exchanges differences on translation of foreign operations	-	(603,815)	-	(603,815)
Total comprehensive income for the half-year	-	(603,815)	4,275,928	3,672,113
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	-	-	-	-
Dividends provided for or paid	-	-	(1,800,918)	(1,800,918)
Employee share scheme	-	13,920	-	13,920
	-	13,920	(1,800,918)	(1,786,998)
Balance at 30 June 2008	**19,544,815**	**(6,814,003)**	**12,530,033**	**25,260,845**
Balance at 1 January 2009	19,250,564	(5,057,532)	7,978,111	22,171,143
Profit for the half- year	-	-	970,603	970,603
Exchanges differences on translation of foreign operations	-	(1,065,256)	-	(1,065,256)
Total comprehensive income for the half-year	-	(1,065,256)	970,603	(94,653)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	2,822,930	-	-	2,822,930
Dividends provided for or paid	-	-	-	-
Employee share scheme	-	5,981	-	5,981
	2,822,930	5,981	-	2,828,911
Balance at 30 June 2009	**22,073,494**	**(6,116,807)**	**8,948,714**	**24,905,401**

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

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Note	Half Year 2009 $	2008 $
Cash flows from operating activities			
Proceeds from pearl jewellery and oyster sales		4,664,323	5,450,173
Proceeds from other operating activities		13,200	139,869
Interest paid		(62,675)	(19,640)
Interest received		11,194	24,340
Payments to suppliers and employees		(4,473,677)	(5,836,907)
Income taxes (paid)/received		228,698	(713,780)
Net cash provided by/ (used in) operating activities		381,063	(955,945)
Cash flows from investing activities			
Payments for property, plant and equipment		(57,566)	(198,620)
Proceeds on disposal of fixed assets		-	-
Net cash provided by/(used in) investing activities		(57,566)	(198,620)
Cash flows from financing activities			
Proceeds from borrowings		3,837,670	1,520,390
Repayment of borrowings		(3,837,670)	(1,204,652)
Proceeds from issue of shares		2,822,931	-
Loan to employees to purchase shares		-	-
Repayment of loan to employees		-	-
Payments for purchase of company shares		-	-
Dividend payment		-	-
Net cash provided by/(used in) financing activities		2,822,931	315,738
Net increase/(decrease) in cash and cash equivalents		3,146,428	(838,827)
Cash and cash equivalents at the beginning of the half-year		437,464	1,032,797
Effects of exchange rate changes on cash and cash equivalents		(1,060,996)	(46,921)
Cash and cash equivalents at the end of the half-year		2,522,896	147,049

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 30 June 2009 has been prepared in accordance with the *Corporations Act* 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2008 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

1.1 Compliance with IFRS

The financial report of Atlas South Sea Pearl Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1.2 Historical cost convention

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

1.3 Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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.

1.4 Changes in accounting policy

The Group had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2009. The affected policies and standards are:

AASB 8 Operating Segments
AASB 101 Revised Presentation of Financial Statements
AASB 2008-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Project

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

1.5 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Atlas South Sea Pearl Limited ("Company" or "parent entity") as at 30 June 2009 and the results of its subsidiaries for the year then ended. Atlas South Sea Pearl Ltd and its subsidiaries together are referred to in this financial report 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Atlas South Sea Pearl Limited.

1.6 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.

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 income statement 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

1.7 Inventories

(a) Pearls (also referred to as Agricultural assets) - The cost of pearls grown by the Group is the fair value less estimated point of sale costs at the time the pearls are harvested.

(b) Nuclei - quantities on hand at the period end are valued at cost.

(c) Oysters – refer note 1.8 (Biological assets).

(d) Other inventories – including fuel, mechanical parts andfarm spares at the period end are valued at cost.

1.8 Biological assets

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

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

Pearls are initially measured at their fair value less estimated point of sale costs at the time of harvest. The fair value of pearls is determined by reference to market prices for pearls at the time of harvest.

The gain on initial recognition of pearls is recognised in the income statement in the year of harvest. At the time of harvest, pearls are recorded as inventory.

The details of the Biological assets that are held by the economic entity as at 30 June 2009 are provided at Note 5.

1.9 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property
Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on periodic valuations by external independent valuers, 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 is 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 income statement.

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**	
	2009	**2008**
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	20-50%	20-50%

1.10 Leases

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

1.11 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 income statement 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

c) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

d) *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 balance sheet 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.

e) *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 income statement. 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.

f) *Subsequent measurement*
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 income statement within other income or other expenses in the period in which they arise.

g) *Impairment*

The Group assesses at each balance 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. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

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 income statement.

h) *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 income statement.

1.12 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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.

1.13 Foreign currency translations

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 South Sea Pearl 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, 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.

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.

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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; 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 repaid, a proportional share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

1.14 Employee benefits

a) *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 balance 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 .

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

b) *Share-based payments*

Share-based compensation benefits are provided to employees via the Atlas South Sea Pearl Limited Employee Share Plan. 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 grant date and recognised over the period during which the employee becomes unconditionally entitled to the shares. The fair value at grant date is considered to be the current share price on the date of granting.

1.15 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.

1.16 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.

1.17 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.

(c) Asset Sales Revenue comprises of the gross proceeds of the assets. The profit and loss on disposal of assets is brought to account at the date on which an unconditional contract is signed.

1.18 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. Trade receivables are generally due for settlement within four months from our wholesale customer Pearlautore, with agreed upon contractual monthly payments. All other 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 income statement 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 income statement.

1.19 Trade and other payables

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

1.20 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 income statement 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 income statement. Borrowings are removed from the balance sheet 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.

1.21 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 year but not distributed at balance date.

1.22 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 service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(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.

1.23 Segment Information

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

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

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

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.

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.

1.24 Comparative Figures

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

1.25 Critical accounting estimates and judgements

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

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

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.

Doubtful debts provision

No provision has been recognised in respect of receivables owed to the Group for the period ended 30 June 2009 or 2008.

Impairment of financial assets

In the 2009 financial report, the Group made a significant judgment about the impairment of a number of its financial assets included within other receivables. These relate to loans to employees issued under the employee share plan. The shares issued to employees under the plan are held in trust until the loans are repaid in full. The Group follows the guidance within AASB 139 Financial Instruments: Recognition and Measurement on determining when the financial assets are impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. An impairment loss of $168,775 has been expensed in the income statement in the year.

Critical judgements in applying the entity's accounting policies

Determination of net market value of agricultural and biological assets

Biological assets include pearl oysters, both seeded and unseeded. Agricultural assets include 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 point of sale 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 less estimated point of sale costs by reference to market prices for pearls as determined by the Company's marketing agent, Pearlautore International.

Key assumptions that have been used to determine the fair market value of the oysters in 2008 and 2009 are as follows:

	Jun-2009	**Dec-2008**	**Jun-2008**
Average selling price for pearls*	¥6,600/momme	¥6,600/momme	¥12,512/momme
¥ exchange rate	¥77:AUD1.00	¥62:AUD1.00	¥95:AUD1.00
Average pearl size	0.55 momme	0.52 momme	0.54 momme
Proportion of market grade pearls	86%	79%	75%
Discount rate applied to cash flow	20%	20%	30%
Mortality & rejection rates	Historical comparison	Historical comparison	Historical comparison
Average unseeded oyster value	$1.81	$2.17	$2.14

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

Biological assets are valued using estimated future yen rates. Biological assets recognised as current assets on the balance sheet represent the estimated value of the pearls to be harvested within the next 12 months. The yen rate used is based on the estimated forward yen rates for the next 18 months from.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

A reference to Dollars or $ means Australian Dollars.

		Half Year	
		2009	2008
		$	$
2	**Profit for the half year**		
	Revenue from continuing operations		
	Sales revenue		
	Sale of goods	3,059,887	7,341,335
	Other revenue		
	Interest income	17,036	22,184
	Other revenues	609,270	93,068
	Total revenue from continuing operations	**3,686,193**	**7,456,587**
	Other income		
	Change in net market value of agricultural and biological assets		
	Change in fair value less point of sale costs of oysters	1,901,131	1,538,825
	Gain arising on initial recognition of harvested pearls	-	1,823,322
		1,901,131	3,362,147
	Foreign exchange gains	855,171	115,470
	Gain on financial instruments	2,625,440	259,790
	Gain on sale of non-current assets	-	5,162
	Total other income	**5,381,742**	**3,742,569**
	Profit for the half year includes the following items that are unusual because of their nature, size or incidence:		
	Expenses		
	Loss arising on initial recognition of harvested pearls	1,696,346	-
	Foreign exchange losses	865,782	460,502
	Impairment of financial assets	168,775	-
	Impairment of biological assets	447,445	-

3 EARNINGS PER SHARE

	2009	2008
	cents	cents
Basic earnings/(loss) per share	0.93	4.75
Diluted earnings per share	0.93	4.75
	No.	**No.**
Weighted average number of ordinary share outstanding during the year used for calculation of basic earnings per share	104,014,618	90,045,890
Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earnings per share	104,014,618	90,045,890

4 FINANCIAL INSTRUMENTS

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Groups financial risk policies.

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

The sale of pearls is denominated in Japanese Yen and the Group has entered into forward exchange contracts and options to sell Japanese Yen and receive Australian Dollars.

5 BIOLOGICAL ASSETS

	Half Year	
	2009	**2008**
	$	**$**
Current -		
Oysters	4,378,516	5,065,634
Non-Current -		
Oysters	14,083,762	14,345,011
Total biological assets	18,462,278	19,410,645

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

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

	No.	**No.**
Held within the economic entities operations:		
Juvenile oysters which are not nucleated	1,011,559	589,159
Nucleated oysters	758,411	724,255
	1,769,970	1,313,414

Sensitivity Analysis –
The mark to market estimation of the value of the biological assets (Oysters) is determined using the net present value of expected future net cash flows attributed to this inventory less the estimated point of sale costs. The primary assumptions used for this estimate are shown in Note 1.25. An analysis of the effect from changes in the most sensitive variables used for this calculation are shown below:

	Reported Value	Value with a 10% increase	Value with a 10% Decrease
Average Pearl Price - ¥6,600/momme	$18,462,278	$20,452,101	$16,471,396
Discount Rate – 20%	$18,462,278	$19,919,582	$17,234,499

6 DIVIDENDS

	Half Year	
	2009	2008
	$	$
Distributions paid – Ordinary Shares		
Fully franked ordinary dividend declared on 7 May 2008 of 2.0 cents per share franked at a tax rate of 30%	-	1,800,918

7 SEGMENT INFORMATION

The segment information provided to the board of Directors for the reportable segments for the half-year ended 30 June 2009 is as follows:

Half-year 2009	**Wholesale Loose Pearl**		**Retail Jewellery**		**Total**
	Australia	**Indonesia**	**Australia**	**Indonesia**	
	$	**$**	**$**	**$**	**$**
Total segment revenue	2,706,268	1,587,184	43,285	376,940	4,713,676
Inter-segment revenue		(1,587,184)	-	(64,358)	(1,651,542)
Revenue from external customers	**2,706,268**	**-**	**43,285**	**312,582**	**3,062,134**
Adjusted net operating profit/(loss) before income tax	**369,980**	**113,750**	**33,815**	**(44,309)**	**473,235**
Half-year 2008					
Total segment revenue	7,113,137	3,277,401	-	136,097	10,526,635
Inter-segment revenue	-	(3,277,401)	-	-	(3,277,401)
Revenue from external customers	**7,113,137**	**-**	**-**	**136,097**	**7,249,234**
Adjusted net operating profit/(loss) before income tax	**2,909,261**	**452,896**	**-**	**(211,552)**	**3,150,606**
Total segment assets					
30 June 2009	7,529,926	15,226,459	-	993,962	23,750,347
31 December 2008	6,583,332	18,092,550	-	2,041,688	23,717,570

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

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

	Consolidated	
	2009	2008
	$	$
Adjusted net operating profit/(loss) before income tax	473,235	3,150,606
Intersegment eliminations	(298,876)	(418,069)
Other	(8,627)	(48,909)
Realised foreign exchange losses	(318,774)	(63,702)
Unrealised foreign exchange gains /(losses)	1,875,741	(331,207)
Interest revenue/(expense)	(47,992)	1,567
Impairment expense	(616,220)	-
Other revenue	595,816	12,200
Change in fair value of biological and agricultural assets	204,785	3,761,755
Profit before income tax from continuing operations	**1,861,088**	**6,064,240**

7 SEGMENT INFORMATION (Cont.)

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

8 CONTINGENT LIABILITIES

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

The Company intends to object to this assessment on the basis that it has complied with transfer pricing protocols which have been historically authorised by the ITA and that this revised assessment is inconsistent with these prior rulings. The Company will continue to assert that it should receive a tax refund of $280K for this fiscal period. The Company will also seek an amendment of its tax returns through the Australian Tax Office (ATO) to seek relief from paying tax in both jurisdictions under Double Taxation treaties between Australia and Indonesia.

At the date of this report, there is inherent uncertainty as to the outcome of this assessment and this will not be able to be confirmed until the matter is dealt with by the Indonesian and Australian tax authorities.

9 CONTRIBUTED EQUITY

	Half Year	
	2009	**2008**
	$	**$**
125,483,097 (2008 – 90,045,890) fully paid ordinary shares	22,073,494	19,544,815

	2009		**2008**	
	No.	**$**	**No.**	**$**
Number of shares on issue at the beginning of the reporting period	89,220,890	19,250,564	90,045,890	19,544,815
Shares issued during the period	36,262,207	2,900,976	-	-
Share issue costs	-	(78,046)	-	-
Number of shares on issue at the end of the reporting period	125,483,097	22,073,494	90,045,890	19,544,815

10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

11 SUBSIDIARIES

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

12 RELATED PARTY TRANSACTIONS

Pursuant to an agreement with Stephen Birkbeck, fees of $30,000 were charged to the Company during the half year which represents a consulting fee for marketing advice (six months to 30 June 2008 - $Nil).

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

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 8 to 25:

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

(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date;

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

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

G.R.W. SNOW
Chairman

Perth, Western Australia
31 August 2009

BDO Kendalls

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

We have reviewed the accompanying half-year financial report of Atlas South Sea Pearl Limited, which comprises the statement of financial position as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a description of accounting policies other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlas South Sea Pearl Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

BDO Kendalls

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and

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

Significant Uncertainty Regarding Foreign Taxation Liability

Without qualification to the conclusion expressed above, we draw attention to Note 8 to the half-year financial report. A subsidiary company, PT Cendana Indopearls, has received a tax assessment from the Indonesian Tax Authority ("ITA") which is inconsistent with the previous transfer pricing tax protocols applied by the ITA to the subsidiary. The subsidiary is in the process of filing an objection to the assessment and the ultimate outcome of this matter cannot presently be determined. The Consolidated Entity has made no provision in the financial report for the liability that may result should the subsidiary not be successful with its objections.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 31st day of August 2009

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITES

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

FOR THE HALF YEAR ENDED 30 JUNE 2009

1 The reporting period and the previous corresponding period as detailed in this financial statement are 30 June 2009 and 30 June 2008 respectively

		2009	2008	% Change	Up/Down
2	Key Financial Data				
2.1	Revenue [(a)]	3,686,193	7,456,587	51%	Down
2.2	Profit/(loss)from ordinary activities after tax attributable to members [(b)]	970,603	4,275,928	77%	Down
2.3	Net profit/(loss) attributable to members [(b)]	970,603	4,275,928	77%	Down

2.4 Dividends [(c)]

	2009	2008
Interim dividend		
Amount per share	-	2.0 cents
Franking percentage	-	100%
Date paid	-	14/7/08
Final Dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Record Date	-	-

Explanation of 2.1 to 2.4

a) Revenue from the sale of pearls has 51% decreased as a result of less pearls (by weight) being sold in the first six months of 2009 (24,006 momme) compared to the same period in 2008 (53,677 momme). There was also a 41% decrease in the average price received for pearls from 2008 to 2009.

b) Net profit has decreased due to a lower pearl sales revenue ($4,281,448 or 58%) and due to a lower net fair value adjustment of biological assets recognised in the income statement in the first six months of 2009 of $204,785, compared to the same period in 2008 ($3,362,147).

c) No interim dividend for 2009 has been declared in the period.

3 Net Tangible Assets

	Consolidated	
	2009	**2008**
Net tangible assets	$24,905,401	$25,260,845
Ordinary Shares	125,483,097	90,045,890
Net tangible assets per ordinary share	$0.20	$0.28

4 Change in control of entities

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

5 Independent Auditor's Review Report to the Members

The attached Auditor's Review Report includes a significant uncertainty regarding the foreign taxation liability as disclosed in note 8 to the half-year financial report.