ATLAS SOUTH SEA PEARL LIMITED

A.B.N. 32 009 220 053

ANNUAL REPORT
2008

CORPORATE DIRECTORY

DIRECTORS

George Robert Warwick **SNOW**
B.Ec.

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

Stephen Paul **BIRKBECK**

Ian MacKenzie **MURCHISON**
B. Comm., F.C.A., Dip. Naut. Sc.

COMPANY SECRETARY

Simon Charles Bunbury **ADAMS**
B.Bus, M.Acc, A.C.I.S.

REGISTERED OFFICE

43 York Street
Subiaco
Western Australia 6008

P.O. Box 8015
Subiaco East
Western Australia 6008

Telephone: +61(0)8 9380 9444
Facsimile: +61 (0)8 9380 9970

Website: http://www.atlassouthseapearl.com.au

E-mail: atlas@atlassouthseapearl.com.au

AUDITORS

BDO Kendalls Audit and Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

TAX ADVISERS

BDO Kendalls (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

BANKERS

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

SHARE REGISTRY

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

HOME EXCHANGE

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

ASX Trading Code: ATP

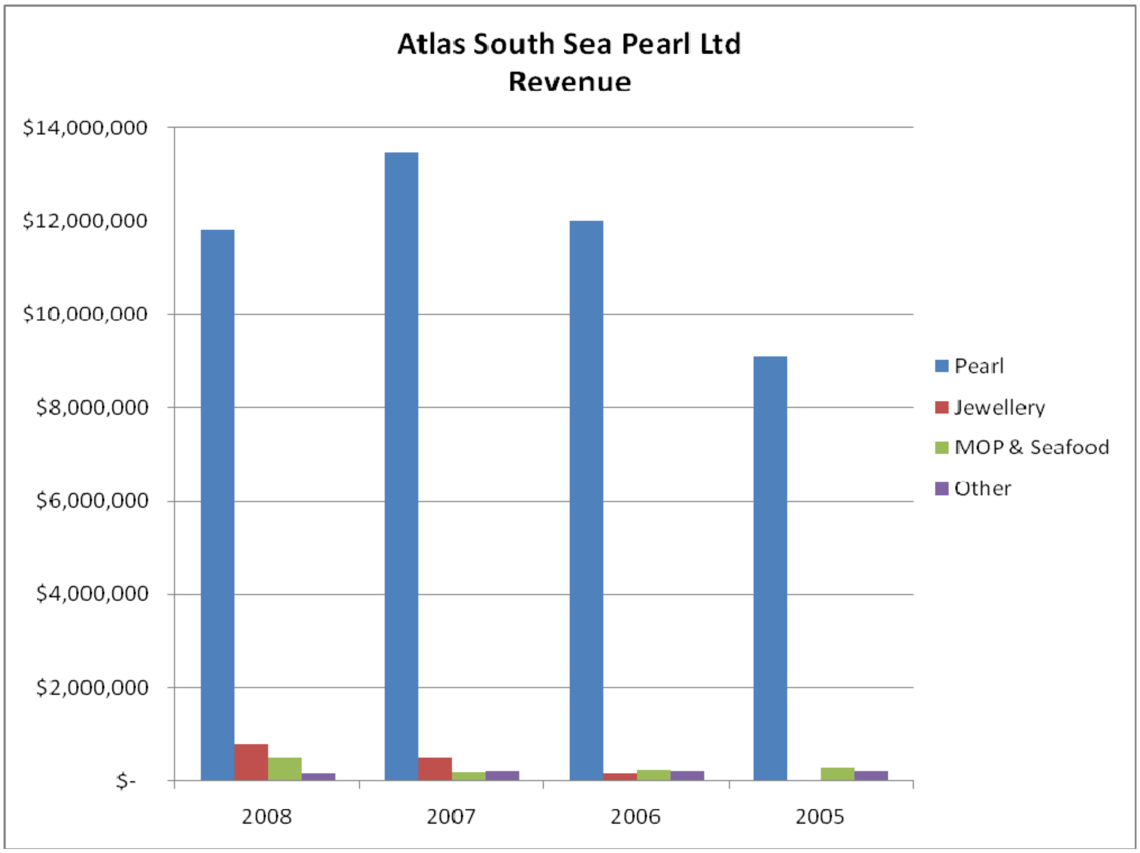
ATLAS SOUTH SEA PEARL LIMITED AND ITS SUBSIDIARIES
CHAIRMAN'S REPORT

Dear Shareholder,

Despite a weak finish to the year, the company reported a relatively strong cash profit of $2,515,739 (2007 – $4,899,487) which is the profit after adjusting for interest, tax, depreciation, foreign exchange movements and fair value adjustments of biological assets.

The net loss after tax for 2008 of $275,994 (2007 – profit $8,032,843) was affected by a drop in income in the last quarter of the year which was caused by the slowdown in the economy and also by some large foreign exchange losses as a result of the Company's exposure to a Japanese Yen loan and currency hedging contracts. With these financial instruments now having been revalued to the December 2008 rates, these large foreign exchange movements are not expected again unless there is further instability in the Australian Dollar.

Atlas South Sea Pearl Ltd recorded operating revenue of $13,304,009 for the year ended 31 December 2008 (2007 - $14,449,678). Revenue from pearl sales were 25% under budget but an increase in revenue from jewellery retail and other by-product sales saw the final result only 8% below last year's turnover.



Cash flow was restrained by lower sales but the Company was able to pay a dividend of two cents (2.0 cents) per share, fully franked, in July 2008 (2007 – 4 cent per share).

The quantity of pearls sold during 2008 was less than 2007 but there was an increase in the average size of the pearls and an improvement in the overall unit value of the goods sold. A 40% depreciation in the Australian Dollar against the Japanese Yen resulted in an increase in the Australian dollar pearl price in the last quarter of 2008. Cash receipts from sales will be restrained in 2009 by existing foreign currency hedging contracts which are at unfavourable rates compared to the current Australian dollar spot rates.

Atlas continued to show good operational results from both the main pearl farm in Aljui Bay, West Papua and from Bali with 430,000 oysters having been operated in 2008 compared to 402,000 in the previous year. There was a significant increase in second time operated oysters which will result in larger pearls at harvest. Oyster stocks remain strong and are in line with the quantity of stocks held in 2007.

Atlas is continuing its research and development partnership with James Cook University and the results from this program are now starting to be implemented into the Company's breeding program. This will result in stronger, faster growing oysters which will produce consistent, high quality pearls.

The current global economic uncertainty will result in a reshaping of the luxury commodity markets, including the pearling industry. Anecdotal evidence indicates that there will be a significant shift in the distribution of these high end goods. This will create opportunities for Atlas and the Board will seek to maximise any opportunities that it identifies as being earnings accretive for the business. Generating sales and cash flow will be a primary focus for the Company in 2009. As a low cost producer of relatively high quality pearls, the Company is positioned well to remain viable and take advantage of any opportunities that may emerge. Atlas has undertaken a capital raising by way of a 1:3 rights issue which is intended to raise approximately $2.38 million. These funds will be used for working capital that may be required to develop these emerging opportunities.

The continuing good results achieved by the Company are principally due to the leadership of our management staff under managing director, Dr Joseph Taylor. Dr Taylor has advised of his intention to step down as the Managing Director in June 2009 but he will remain as a non-executive director of the company and will continue to provide his technical and other pearl industry skills to the company on a contract basis. The Managing Director's position will be taken on by Mr Richard (Rick) Wright who has very capable credentials and skills to take on this role. Along with the existing highly skilled management team, we expect to continue as a lean and focused organisation, ready to take advantage of any improvements in the global economy.

Together with my fellow Directors I would like to thank all stake holders for their strong support and enthusiasm in the current difficult times.

George Snow
CHAIRMAN
24 March 2009

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Atlas South Sea Pearl Limited and the entities it controlled at the end of, or during, the year ended 31 December 2008.

1. DIRECTORS

The following persons were directors of Atlas South Sea Pearl Limited during all or part of the financial year and up to the date of this report:

GEORGE ROBERT WARWICK SNOW, B.Ec., F.A.I.C.D. (Age – 63)
CHAIRMAN OF THE BOARD (Audit Committee, Remuneration Committee)

Mr Snow is a graduate in economics from the Australian National University and has had extensive experience in property development, real estate management and mortgage finance. Mr Snow is the Managing Director of the Dampier Investment Group which is a substantial shareholder on the Company.

Director since 28 October 1997, appointed Chairman on 28 July 2004.
(Last re-elected as a director –30 May 2006)

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

* Nil

STEPHEN JOHN ARROW (Age – 48)
NON EXECUTIVE DIRECTOR (Audit Committee)

Mr Arrow has been involved in the pearling industry in Western Australia and the Northern Territory since 1980 and is Managing Director and owner of Arrow Pearl Co Pty Ltd. Mr Arrow brings to the Board extensive pearling experience from many regions of the world as well as contacts within the industry.

Appointed Director on 29 June 1999.
(Retired 28 May 2008)

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

* Nil

IAN McKENZIE MURCHISON B.Comm, F.C.A., Dip. Naut. Sc. (Age – 57)
INDEPENDENT NON EXECUTIVE DIRECTOR (Chair of Audit Committee, Remuneration Committee)

Mr Murchison has had over 28 years experience in finance and investment, and has been a Director of both listed and unlisted companies in Australia and overseas. Mr Murchison was an investment director and founding partner of the West Australian based private equity investment fund, Foundation Capital. Mr Murchison was a founding partner of the national chartered accounting firm of Sothertons.

Appointed Director on 28 July 2004.
(Last re-elected as a director – 10 May 2007)

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

* TFS Corporation Ltd – appointed 27 February 2006

STEPHEN PAUL BIRKBECK (Age – 48)
INDEPENDENT NON EXECUTIVE DIRECTOR (Audit Committee)

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

Appointed Director on 15 April 2005.
(Last re-elected as a director – 30 May 2006)

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

JOSEPH JAMES UEL TAYLOR, B.Sc. (Biology), Ph.D. (Age – 42)
MANAGING DIRECTOR

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

Appointed Director on 13 September 2000 and as the Managing Director on 31 August 2001.
(The constitution does not require the Managing Director to retire by rotation)

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

RICHARD ALLEN WRIGHT, B.Sc. (Chemical Engineering), M Marine Affairs. (Age - 56)
EXECUTIVE DIRECTOR

Mr Wright is a former US Navy Submarine Commander and has worked in the US Embassy (Jakarta) as Naval Attaché. He has filled numerous senior management roles in commerce and in the not-for-profit sector. He brings a strong ethos of fiscal and management discipline with an outcomes driven focus. Mr Wright lives in Indonesia and has a good understanding of the language and culture in Indonesia and other parts of South East Asia. He joined the Company in March 2008 as General Manager –Operations.

Appointed Director on 10 March 2009.

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

2. COMPANY SECRETARY

The Company Secretary at the end of and during the financial year was Mr Simon C B Adams, B. Bus, M. Acc, A.C.I.S. He has a broad range of corporate and accounting experience in the areas of pearling, resources, engineering and property industries. Mr Adams has been with the company since 2000.

Company Secretary since 1 February 2001.

3. DIRECTORS' MEETINGS

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

Director	Period	Directors' Meetings		Audit Committee Meetings	
		Held	Attended	Held	Attended
G.R.W. Snow	01/01/08 - 31/12/08	8	8	2	2
S.J. Arrow	01/01/08 – 28/05/08	3	2	1	0
I.M. Murchison	01/01/08 - 31/12/08	8	7	2	2
S.P. Birkbeck	01/01/08 - 31/12/08	8	7	2	2
J.J.U. Taylor	01/01/08 - 31/12/08	8	8	2	2

4. CORPORATE GOVERNANCE STATEMENT

Atlas South Sea Pearl Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations where possible, given the size and resources of the Group. Where there is variation from these principles, an explanation is provided in this report.

4.1. Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Roles and responsibilities of the Board

The Board of Directors is responsible for the following:

- Providing strategic guidance to the Group including approving the corporate strategy
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure
- Overseeing and monitoring:
    - organisational performance and the achievement of the Group's strategic goals and objectives
    - progress of major capital expenditures and other significant corporate projects
    - monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
    - ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the Managing Director, CFO and Company Secretary
    - overseeing the operation of the Group's system for compliance and risk management reporting to shareholders
    - ensuring appropriate resources are available to senior management

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives.

A performance assessment for senior executives takes place annually.

4.2. Principle 2: Structure of the board to add value

Composition of the Board and Directors independence
The names of the directors of the Company in office at the date of this report are set out on page 4 & 5 of this report.

In accordance with the definitions of an independent director as set out in Principle 2.1 of the August 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations Mr Murchison and Mr Birkbeck are independent directors. The Board is therefore not made up of a majority of directors who are independent. However, the directors believe that they can, and do, act independently making judgements that are in the best interest of the Company on all relevant issues.

Mr Snow is a substantial shareholder owning 15.60% of the issued shares of the Company and therefore is not considered to meet the definition of an independent director. Mr Snow and his fellow directors believe that he does act independently and in the best interests of the Company and all of its shareholders when dealing with issues that fall within the scope of the role of the Chairman.

The Board believes that its members represent a good balance of skills, knowledge and experience that are necessary to understand and manage the challenges faced in the pearling industry. It also believes that the size of the Board reflects the appropriate allocation of the Company's resources and allows for effective decision making by its members.

Term of office
Directors are appointed for a fixed term with their positions made vacant in accordance with the Company's constitution. Reappointment of a Director at the time of their retirement is not automatic but they may renominate for their positions on the Board subject to the constitution and they are re-elected by the members at the Company's annual general meeting.

Chairman of the board
The chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

Commitment
The board held eight board meetings during the year. The number of meetings of the company's board of directors and of each board committee held during the year ended 31 December 2008, and the numbers of meetings attended by each directors is disclosed on page 6.

The commitments of non-executive directors are considered by the board prior to the directors' appointment to the board of the company and are reviewed each year as part of the annual performance assessment.

Prior to the appointment or being submitted for re-election, each non – executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

Independent professional advice and access to company information
Each director has the right to access all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent advice at the entity's expense.

Board committees
The board has established committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees include audit and remuneration committees as detailed below.

Minutes of committee meetings are tabled at the subsequent board meeting.

Nomination Committee
The Board has not established a nomination committee as there are insufficient directors on the Board for the functions of such a committee to operate effectively as a sub-committee. A formal performance review of the board and its members has not been undertaken in the last financial year. Careful consideration is given to the appointment of the Company's new directors to ensure that the Board is well served by their experience and skills. The Board remains open to appointing additional directors who may add value to the skill and knowledge base of the Board.

Directors are appointed for a fixed term with their positions made vacant in accordance with the Company's constitution. Reappointment of a Director at the time of their retirement is not automatic but they may renominate for their positions on the Board subject to the constitution and they are re-elected by the members at the Company's annual general meeting.

4.3. Principle 3: Promote ethical and responsible decision making

Code of conduct
There is no formal code of conduct in place for directors and senior executive officers. However, the Board and management do adhere to best practice principals which include the following:
(i) conflict of interest – managing situations where the interest of a private individual interferes or appears to interfere with the interests of the Company;
(ii) corporate opportunity – preventing directors and key executives from taking advantage of property, information or position, or opportunities arising from these, for personal gain;
(iii) confidentiality – restricting the use of non-public information except where disclosure is authorised or legally mandated;
(iv) fair dealing – by all employees with customers, suppliers, competitors and employees of the Company;
(v) protection and proper use of assets of the Company – ensuring the protection of and efficient use of assets for legitimate business purposes;
(vi) compliance with laws and regulations – active promotion of compliance.

Trading in Company securities
The Company has a share trading policy. Directors and employees (and their associates) are permitted to own shares in the Company but they are restricted to the trading of the Company's shares or other securities within a "window" period being between 24 hours and 30 days following the release of any announcement to the Australian Stock Exchange. Directors must advise the Company of any trading of its securities within five (5) days of any such transaction.

4.4. Principle 4: Safeguard integrity in financial reporting

Audit Committee
The audit committee is made up of the three (3) non-executive Directors, one of whom is not independent. The chair of the audit committee is Mr Murchison, an independent director who is not the Chairman of the Board. Mr Murchison is a qualified accountant and has extensive financial experience. The other members of the audit committee have a good understanding of business and are financially literate. The size and makeup of the current Board does not allow for there to be a majority of independent members on the audit committee.

Details of these directors attendance at audit committee meetings are set out in the directors report on page 6.

The Chief Executive Officer and the Chief Financial Officer declare in writing to the Board that the financial records of the company have been properly maintained, comply with accounting standards and present a true and fair view of the company's financial position prior to the signing of the accounts.

External auditors
The company and audit committee policy is to appoint auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO Kendalls Audit and Assurance (WA) Pty Ltd is appointed auditor. It is BDO Kendalls policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors , including a breakdown of fees for non audit services, is provided in the directors' report and as a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

4.5. Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication
The Company does not have a written policy on disclosure requirements but it is compliant with the continuous disclosure rules of the Australian Stock Exchange which ensures that:
(i) all investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance; and
(ii) Company announcements are factual and presented in a clear and balanced way.

The Board aims to ensure that all shareholders are kept informed of the Company's performance. Information is regularly communicated to shareholders through:

(i) Distribution of the annual report to all shareholders (other than those who elect not to receive it);
(ii) Distribution of shareholder updates which provide additional operational, corporate and financial information relevant for that period;
(iii) The annual general meeting and other meetings where shareholders have the opportunity to approve various Board actions;
(iv) Company announcements, shareholder or stock broker briefings and press releases which are posted to the Company's web site; and
(v) Direct shareholder liaison by authorised executives.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing the co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Stakeholders' interests
The Company does not have a code of conduct to deal with the legal and other obligations to stakeholders.

Senior executives are required to identify strategic stakeholders and maintain close contact with these parties at all times. Such stakeholders include employees, local communities within which the pearl farming activities are operated, critical equipment and service suppliers, product distributors and local and regional government authorities.

Employees have the right, and are encouraged to alert management and the Board in good faith to potential misconduct without fear of retribution. Where necessary, such reports must be recorded and investigated in full.

4.6. Principle 7: Recognise and manage risk

Risk Management
The Company addresses risk management through its ongoing review and prioritisation of operation activities and corporate compliance. The Board is made aware of issues that, in the opinion of management, require resources or actions to deal with the matter. This includes all aspects of the business including the financial, operational and compliance risks, both financial and non-financial.

Corporate reporting
The Managing Director and the Chief Financial Officer have made the following certifications to the board:

- That the company's financial reports are complete and present a true and fair view, in all material aspects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

4.7. Principle 8: Remunerate fairly and responsibly

Remuneration Committee
The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to senior executives and directors of the company and its subsidiaries. This includes the setting of incentive performance packages and share allocations under the Employee Share Plan.

The members of the remuneration committee during the year were Mr Snow and Mr Murchison. The managing director is invited to the remuneration committee meetings as required but does not attend the meetings that involve matters that pertain to him. The committee has had no meetings in the year but have met on an ad hoc basis when required.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an ad hoc basis, and revised where necessary.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors report under the heading 'Remuneration Report'.

The committee also assumes responsibility for overseeing management succession planning, including ensuring adequate arrangements are in place for appropriate candidates to be later promoted to senior positions.

5. REMUNERATION REPORT

The remuneration report is set out under the following main headings:

5.1 Principles used to determine the nature and amount of remuneration
5.2 Details of remuneration
5.3 Share based compensation
5.4 Service agreements
5.5 Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

5.1. Principles used to determine the nature and amount of remuneration

The objectives of the Company's remuneration framework is to ensure that reward for performance is competitive and appropriate for the results delivered and recognises the environment within which its executives operate. Remuneration of senior executives is set with the objectives of:

(i) retaining and motivating key staff;
(ii) attracting quality management skills to the organisation; and
(iii) alignment of executive reward with the achievement of strategic objectives and the creation of value for shareholders.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

5.1.1 Remuneration structure of Non-Executive Directors

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

The Non Executive Directors' aggregate annual remuneration may not exceed $350,000 which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Annual General Meeting on 30th May 2007. In the year ending 2008, the total non-executive directors' fees including retirement benefit contributions were $198,017.

The following fees have applied:

Base Fees for Non Executive Directors - $40,000 per annum plus superannuation
Additional fees of $5,000 per annum plus superannuation for the Chairman of the Audit Committee
Chairmans fee is $80,000 per annum plus superannuation

5.1.2 Remuneration Structure of Executives

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

Employee salaries are reviewed annually and are adjusted to take into consideration the individuals' responsibilities and skills compared to others within the Company and the industry.

There were no short or medium term cash incentives provided to any executives of the company during the last financial year. Short or medium cash incentives are not incorporated into any executives salary packages at the time of this report.

An Employee Share Plan (ESP) provides some senior executives with incentive over and above their base salary (refer 5.3 below). The allocation of shares under the Employee Share Plan (ESP) is not subject to performance conditions of the Company. The reasons for establishing the ESP were:

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

Many of the factors attributable to the short term success or failure of the pearling business such as exchange rate fluctuations, environmental and climatic factors and socio-political conditions, are outside the control of management and as a result, the board does not believe that the remuneration should be benchmarked against the short term performance of the Company. By providing long term incentive for senior employees to benefit from improved performance of the Company is viewed by the Board as the best form of incentive outside for employees other than appropriate salary payments.

5.2. Details of Remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of Atlas South Sea Pearl Limited and the Atlas South Sea Pearl Limited Group are set out in the following tables.

The key management personnel of the Group are the directors of Atlas South Sea Pearl Limited (see pages 4 and 5) and those executives that report directly to the managing director being:

S Adams - Company Secretary and General Manager (Corporate & Finance)
J Jorgensen - Production Manager (until 31 May 2008)
R Wright – General Manager (Operations) (from 24 March 2008)

In addition, the following persons must be disclosed under the Corporations Act 2001 as they are among the 5 highest remunerated Group and / or Company executives:

S Cavanagh – Group Financial Controller
M Pieper – Operations Manager (until 28 May 2008)

5.2 Details of remuneration (Cont.)

Details of the nature and amount of each element of the remuneration of each key management personnel of the Group and other executives of the Company and the Group

Name		Cash salary & fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation	Total
			Short term incentive cash bonus	Non-cash monetary benefit		Super-annuation benefit	Long service leave		
		$	$	$	$	$	$	$	$
Directors (Non-Executive)									
G.R.W. Snow	2008	80,000	-	-	80,000	7,200	-	-	87,200
	2007	80,000	-	-	80,000	7,200	-	-	87,200
I.M. Murchison	2008	45,000	-	-	45,000	4,050	-	-	49,050
	2007	45,000	-	-	45,000	4,050	-	-	49,050
S.J. Arrow	2008	16,667	-	-	16,667	1,500	-	-	18,167
	2007	40,000	-	-	40,000	3,600	-	-	43,600
S.P. Birkbeck	2008	40,000	-	-	40,000	3,600	-	-	43,600
	2007	40,000	-	-	40,000	3,600	-	-	43,600
(Executive)									
J.J.U. Taylor [1,2,6,7]	2008	349,437	-	29,901	379,338	12,000	20,638	11,678	423,654
	2007	307,307	-	37,322	344,629	9,936	42,604	12,382	409,551

5.2 Details of remuneration (Cont.)

Name		Cash Salary & Fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits		Share Based Payments	Total
			Short term incentive cash bonus	Non-cash monetary benefit		Super-annuation benefit	Long service leave	Termination benefits		
		$	$	$	$	$	$	$	$	$
Key Management Personnel										
S.C.B. Adams [3,4,6,7]	2008	159,500	-	-	159,500	14,355	3,758	-	2,583	180,196
	2007	145,000	-	-	145,000	13,050	8,360	-	3,638	170,048
J.S. Jorgensen [1,2,4,6,7] (from 1/1/2008-31/5/2008)	2008	163,669	-	6,894	170,563	-	-	-	5,113	175,676
	2007	192,372	-	12,486	204,858	-	-	-	5,727	210,585
R Wright [2,4,5,6]	2008	120,930	-	-	120,930	-	-	-	-	120,930
	2007	-	-	-	-	-	-	-	-	-
Other Company and Group Executives										
S Cavanagh[7],[6,8]	2008	136,000	-	-	136,000	12,240	-	-	836	149,076
	2007	117,509	-	-	117,509	11,250	-	-	589	129,348
M Pieper [6,7,8]	2008	75,564	-	-	75,564	-	-	64,093	2,822	142,479
	2007	168,200	-	-	168,200	-	-	-	1,178	169,378

Notes:
1. Dr J Taylor and Mr J Jorgensen are Directors of the Company's Indonesian subsidiary, P.T. Cendana Indopearls and the Company's Malaysian subsidiary Aspirasi Satria Sdn Bhd. Mr J Jorgensen resigned as director of both of these companies as at 31 May 2008.
2. Dr J Taylor, Mr J Jorgensen and Mr R Wright are key management personnel of the Group with the titles of Managing Director , Production Manager and General Manager –Operations . Mr J Jorgensen resigned as at 31 May 2008.
3. Mr S Adams is the Company Secretary and General Manager (Corporate & Finance) of the Group and Director of the Company's Malaysian subsidiary Aspirasi Satria Sdn Bhd.
4. It is the opinion of the Board that the only officers of the Company who meet the definition of key management personnel as set out by the Corporations Act 2001 or the Australian Accounting Standards are the Company Secretary, the Production Manager and the General Manager.
5. Mr Wright is General Manager –Operations and commenced employment on 24 March 2008.
6. Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001
7. Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.
8. S Cavanagh is the Group Financial Controller and M Pieper is Project Manager. M Pieper resigned on 28th May 2008.

5.3. Share based payments compensation

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

5.3.1. In 2007 shares were issued at a price of 40 cents each , 900,000 were issued on 17th April and 200,000 were issued on 10th May 2007 when the market price was 41 cents and 48 cents per share respectively . In 2006 shares were issued at a price of 29 cents each on 30th May 2006 when the market price was 31 cents per share. The fair value of the shares is considered to be the difference between the market price on the date of issue and the employees purchase price of the shares. In 2007 the total fair value of the shares issued in the year was $20,000.

5.3.2. Entitlement to 50% of the beneficial interest on the shares will vest to employees after they have completed two (2) years of employment with the company from the date of issue of the shares,2007 - 17 April 2009 and 10 May 2009 ,(2006-30 May 2008) and entitlement to the remaining 50% of the beneficial interest in the shares will vest to employees after they have completed three (3) years of employment with the company from the date of issue of the shares;

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

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

Name	Date of Issue	No. of Shares Issued	Shares Vested in the year	Shares Forfeited in the year	Financial Year in which shares may vest	Nature of shares	Minimum value of grant yet to be vested (1)	Maximum value of grant yet to be vested (2)
Joseph Taylor (Managing Director)	10/5/07	200,000	0%	0%	2009 – 50% 2010 – 50%	Ordinary Shares	$-	$15,000
	30/5/06	**1,000,000**	**50%**	**0%**	**2008 – 50% 2009 – 50%**	**Ordinary Shares**	**$-**	**$10,000**
Jan Jorgensen (Pearl Production Manager)	17/4/07	100,000	0%	100%	2009 – 50% 2010 – 50%	Ordinary Shares	$-	$-
	30/5/06	**650,000**	**50%**	**50%**	**2008 – 50% 2009 – 50%**	**Ordinary Shares**	**$-**	**$-**
Simon Adams (General Manager / Company secretary)	17/4/07	100,000	0%	0%	2009 – 50% 2010 – 50%	Ordinary Shares	$-	$1,000
	30/5/06	**400,000**	**50%**	**0%**	**2008 – 50% 2009 – 50%**	**Ordinary Shares**	**$-**	**$4,000**

Notes –

1. The minimum benefit is based on the fact that the vesting criteria for the shares on issue have not yet been met.
2. The maximum value is based on the value that is associated with the discount to the market price at the time that the shares were issued.

5.4. Service Agreements

Details of key management personnel contracts are set out below:

5.4.1. Dr J Taylor (Managing Director)

- Employed under a fixed term contract which expires on 31 December 2009.
- Employment agreement specifies the duties and responsibilities of his role.
- Base salary including superannuation and various non-financial allowances relating to living in Indonesia of $391,338 for the last financial year, reviewed annually.
- Not entitled to any special termination payments under this contract.
- The current contract for the Managing Director does not provide for incentive payments in the form of cash or options linked to performance targets.

5.4.2. Mr Richard Wright (General Manager Operations)

- Contract terminates on retirement.
- Base salary of $160,000 for the last financial year, reviewed annually.
- Not entitled to any special termination payments under this contract.

5.4.3. Mr Simon Adams (General Manager and Company Secretary)

- Contract terminates on retirement.
- Base salary inclusive of superannuation for the last financial year of $173,855, reviewed annually.
- Not entitled to any special termination payments under this contract.

5.4.4. Other executives (standard contracts)

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

5.5. Additional Information

5.5.1. Loans to Directors and Executives

Details relating to the loans to directors and key management personnel including amounts, interest rates and repayment terms are set out in note 26 to the financial statements.

5.5.2. Options

There were no options issued to directors or key management personnel in the financial year, or the previous financial year.

6. PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

6.1. Principal Activities

The principal activity of the Company is the operation of a pearl production business in Indonesia. The Company has commenced the manufacture and sale of pearl jewellery but this constitutes less than 10% of its current revenue base.

The economic entity's objectives are to:

- Enhance vertical integration through the expansion of its value adding opportunities in retail and wholesale distribution of jewellery;
- Improve pearl quality through the implementation of results from research and development programs that have been undertaken over the last four years.

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

6.2.1. Year in Review

The first 6 months of 2008 saw the company continue from its strong performance in 2006 and 2007; however by September 2008, the turmoil in the global financial markets began impacting the company's fortunes which has led to a net loss for the full calendar year despite the excellent operational results and increased quality and quantity of pearls made available for sale.

6.2.2. Shareholder Returns

	2008	2007	2006	2005	2004
	$	$	$	$	$
Net profit/(loss) after tax	(275,994)	8,032,843	3,235,566	2,060,587	(1,469,956)
Basic EPS	(0.0031)	0.089	0.036	0.024	(0.0167)
Dividends paid	1,800,918	3,597,663	3,152,786	878,103	-
Dividends (per share)	0.020	0.040	0.035	0.010	-
Share price at 31 December	0.205	0.41	0.43	0.265	0.165

Net profit/(loss) after tax is affected by the following adjustments:

	2008	2007	2006	2005	2004
	$	$	$	$	$
Tax (expense)	460,898	(3,463,022)	(932,755)	295,539	96,946
Interest income/(expense)	(39,226)	65,289	95,838	100,219	156,233
Depreciation	(72,604)	(74,936)	(61,684)	(35,072)	(28,356)
Foreign Exchange gain/(loss)	(3,885,062)	(68,182)	199,855	6,839	604,467
Agriculture Standard revaluation gain/(loss)	744,301	6,674,207	-	-	-

6.2.3. Financial Position

There has been a decrease in the net assets of the group from $23.376M as at 31 December 2007 to $22.171M as at 31 December 2008. Movements in the net worth of the economic entity are summarised below:

- Cash reserves have decreased from $1.033M to $0.437M as a result of lower sales and increased costs.
- Borrowings have increased from $0.279M to $4.461M as a result of the drawdown on the Japanese Yen loan facility to fund working capital. This has been affected by a net foreign exchange loss of $1.601M as at 31 December 2008.
- There was an increase of $2.92M in the liability from the mark to market valuation of the foreign exchange hedging contracts due to the decrease in the value of the Australian Dollar against the Japanese Yen in 2008.
- Trade receivables increased by $1.832M, partly due to currency gains of $1.164M resulting from the decrease in value of the Australian Dollar.
- Stock of pearls has increased by $3.915M due to an increase in the fair market value under AASB 141 Agricultural Assets as well as an increase in stock levels as at 31 December 2008 compared to prior year.

6.2.4. Operating Results

Atlas has recorded a net loss after tax for the year ended 31 December 2008 of $275,994. (2007 profit of $8,032,843).

The operating revenue decreased by 8% to $13,304,009 in 2008 from $14,449,678 in 2007, of which pearl sales revenue represented a decrease of $1,677,316 to $11,819,684 in 2008. Revenue from the sale of pearl jewellery, mother of pearl and pearl oyster sea food products represented an amount of $1,376,903 in 2008 (2007 - $728,000). The decrease in pearl sales, mainly in the last quarter of 2008, saw pearl sales revenue at 25% below budget for the year.

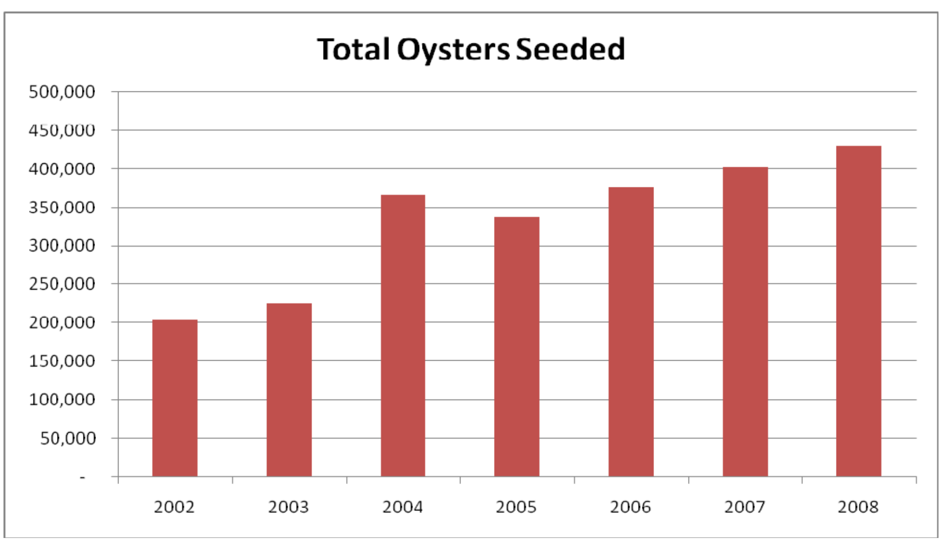
A decrease in the value of the Australian Dollar resulted in foreign exchange losses against the Japanese Yen denominated loan and foreign exchange hedging contracts. This resulted in a realised loss of $2,757,436 and unrealised losses of $1,127,625 during the year.

6.2.5. Pearl Oyster Production Results

Both hatcheries (Bali and Lombok) had a very productive season and, despite significant challenges in the nursery phase, good overall numbers of juvenile oysters were produced in 2008. Of critical importance to the future, the first spawning to create our second generation of oysters from the selective breeding and genetic improvement programme was completed in September of 2008.

For the first time, the company not only sent young "virgin" oysters to Alyui Bay from Bali but also transferred seeded oysters that were growing pearls. Over 35,000 oysters already growing a pearl were successfully transferred to the nutrient rich waters of Alyui Bay in 2008. Eight months later, a trial harvest indicated that the pearls grew faster in the transferred oysters compared to those that were left in Bali by a factor of almost 20%. This is a highly commercial result and allows for further streamlining of operations between Bali and Alyui Bay. The company will now increase seeding for pearls in Bali for supply to the remote Alyui Bay site thereby further reducing production costs and concentrating effort in the most cost effective centres.

Oyster seeding results saw an increase of 7% increase between 2007 and 2008 with 430,000 oysters seeded in 2008. Significantly, the number of second time seeded oysters doubled to 75,000.



Harvests in 2008 saw an improvement in key quality indicators such as shape profile and skin quality. The average size of pearls sold increased in 2008.

6.2.6. Bali Project

As mentioned above, the company is looking to increase the use of its facilities in Bali to further reduce the Groups operating overheads. In a stepwise manner, Atlas is investigating quarantining all the major technical aspects of the pearling projects in Bali where there is better infrastructure, human resources and communications. The limitations in Bali are related to the physical size of farms and competition for space. By concentrating the intensive technical aspects in the lowest cost centre and then shipping oyster stocks that are already growing pearls to large areas such as Alyui Bay we can effectively reduce costs, improve efficiency and produce a better pearl.

As part of our review of operations in Bali, the infrastructure, oyster and physical assets that were located in East Bali (Bug Bug) were relocated further north to the more protected area of Tianyar Barat. This site is being used specifically for juvenile oysters with most of the stock being supplied from the Lombok joint operation, which is in close proximity to this site.

6.2.7. Lombok Project

The Lombok hatchery continues to produce very good numbers of spat or baby pearl oysters. As mentioned above, many of these are being moved closer to our operating centres in North Bali by utilising the growing areas at Tianyar Barat. Atlas is attempting to maximise diversity of sites in the Bali/Lombok region whilst at the same time allowing proximity between these sites to reduce transport costs.

6.2.8. Alyui Bay Pearling Centre

Alyui continues to be the company's major pearl growing site. To further improve efficiency, it will have a reduced focus on seeding for pearls but a much greater focus on growing pearls. This transition started in 2008 and should be complete by 2010. This will mean a reduction in the overall staffing and management levels but an increase in the number of productive oysters (those growing pearls). By concentrating only on pearl growing in years to come, we will maximise return on investment in this site.

6.2.9. Malaysia Project

Due to the economic situation, the company has decided not to proceed with any further work at this time in Malaysia. A watching brief will be maintained on this project.

6.2.10. Environment

Atlas's active involvement in protecting and supporting the environment continues. The Company has assisted in installing a number of moorings in the sensitive and biologically important areas of Raja Ampat to ensure that coral reefs are no longer damaged by anchoring tourist boats, which frequent the area and our neighbouring pearl farm.

In June of 2008, the company was invited to present advice on community relations and the development of private sea lease concessions to a forum of environmental Groups in Seattle, USA. Atlas has been internationally recognised for its leadership in this area.

6.2.11. Community Relations

Our various commitments to Community and Social Responsibility continue to be a key ingredient in the company's successful engagement in Indonesia. Our school scholarship programme was again expanded in 2008 and the company also engaged in the refurbishment of a school in North Bali.

The Company continues to assist local communities with the provision of medical support where this would normally not be available from the national health system in Indonesia. Local communities are also able to take advantage of surplus capacity that the company may have in relation to transportation of supplies and people and have access to technical skills and resources for the purpose of repairs and servicing of equipment such as power generators and water supplies.

In addition to the above, Atlas continues to seek ways of providing alternative employment and support for cottage industry of the most disadvantaged people within the community. The company has developed a system of "piece work" for the repair of certain farm equipment (nets etc). This work is undertaken from home and is offered to the many widows, particularly on Bali's north coast, who would otherwise find earning an income difficult due to social circumstances.

6.2.12. Socio-Political and Security Situation

There have been no significant destabilising events in Indonesia during 2008 but the Company continues to maintain a high level of vigilance in terms of its protection of staff and assets.

6.2.13. Personnel

Atlas has made a number of changes in Management during 2008 in order to more effectively face the challenges of a difficult world market and to ensure a more efficient and cost effective operation.

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

	2008	2007	2006	2005
Expatriates – Indonesia	13	14	8	7
Indonesian nationals - permanent	421	371	403	335
Indonesian nationals – part time	122	133	51	128
Australia	4	4	3	5
Malaysian nationals – permanent	-	1	-	-

6.2.14. Marketing

Despite the difficult marketing conditions, Pearlautore International continues to provide an excellent service in the sale of the Company's pearls. Demand and prices for wholesale loose pearls declined dramatically in the second half of 2008 but sales revenue was able to match the company's needs.

The retail operations in Bali had a significant boost in 2008 with revenue increasing by over 50% when compared to 2007. Two new stores were opened in Bali at Seminyak and Ubud. The Seminyak store in particular has performed well. Much of the improvement in retail sales can be attributed to a change in focus. The company has put considerable effort in developing a range of jewellery to suit a broader demographic. This has been launched under the banner of "affordable luxury".

The success of the initial launch of the new jewellery ranges has led to moves towards wholesale production of pearl jewellery for distribution to retail outlets. In late 2008, the company signed an agreement with a Hong Kong based jewellery manufacturer, Donovans Ltd, to develop this concept. We are pleased to say that the jewellery was launched in Hong Kong during the March 2009 International Jewellery Trade Show and we have received orders across three significant markets (USA, UK and Australia).

6.2.15. Research and Development

The genetic improvement programme moved into a new phase following the successful production of a second generation of offspring. We have now also harvested all of the pearls produced under phase 1 of the project and we are excited to report that we have found a solid link between pearl quality and pedigree. Our next breeding attempts will focus specifically on the highly select Broodstock that now form the basis of our "blood lines" for future breeding. The company hopes to "close" the circle in terms of the selective breeding programme in by the end of 2009 and use only the highly selected stock for all future programmes.

Our research into producing more round pearls has also received a significant boost and is part of the plan to control all technical activities in Bali. The Bali results for seeding are delivering very high percentages of round pearls and this shape profile is maintained when the oysters are moved to areas that promote faster growth.

6.2.16. US listing

During 2008, the company was de-registered from the American Securities Exchange Commission, which will eliminate the need for the Company to file any further reports in the USA. This represents a significant compliance cost saving to the Company.

6.2.17. Conclusion

In a particularly tough economic cycle, which is seeing many primary producers face extreme duress, Atlas is striving to increase its efficiency of operation, make significant cost cuts and produce even better quality of pearls. Atlas is amongst a handful of pearling ventures involved in South Sea pearl production world-wide that has the where-with-all to not only weather the current economic storm but to also come through it as a stronger, leaner and better organisation.

7. DIVIDENDS

Dividends declared and paid by the Company during the financial year ended 31 December 2008 were:

	Dividend per share	Total Amount Paid	Proportion of Franking Credit Per Share (1)	Date Paid
Interim 2008	2.00 cents	$1,800,918	100%	14 July 2008

(1) All dividends are franked at a tax rate of 30%.

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 26 February 2009 Atlas South Sea Pearl Limited announced a Rights Issue. The Company will issue up to 29,740,297 fully paid ordinary shares in the capital of the Company at an issue price of $0.08 each, to raise approximately $2.38 million before costs. The new shares will be offered on the basis of 1 new share for every 3 fully paid ordinary shares. The new shares will rank equally with the Company's existing issued shares.

The results of significant operation activities are made available to shareholders and other interested parties through announcements to the Australian Securities Exchange and through regular newsletters.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The major focus of the company in 2009 will be on improving efficiency, further reducing costs and expanding our revenue base through the development of our wholesale jewellery and value adding division. To this end, significant progress has been achieved in the first three months of 2009. A major review of expenditure and means of increasing efficiency has lead to significant month-on-month cost savings in the production areas of the business. Savings have exceeded 20% in a number of key areas, especially in relation to energy consumption. This programme will continue in earnest throughout 2009.

As mentioned several times elsewhere, 2009 will see Atlas focus its technical efforts in the Bali region and allow the isolated and more expensive site of Alyui Bay to concentrate on pearl growing only. This will see the time required at Alyui Bay from oyster delivery to harvest reduce from the current average of 2.5 years to 1.5 years, a saving of six months of expenditure in our most costly site. At the same time, it will mean that all of our commercial production will be growing pearls at the best site from a growth and quality perspective. By 2010, we anticipate that every oyster held in Alyui Bay will contain a growing pearl and no valuable space will be given to oysters not in production. This will increase the number of pearls being produced at our best pearl growing site but reduce the overall carrying stock leading to major cost savings and better management control.

In relation to broadening the revenue base we are excited by the initial interest shown in our wholesale jewellery ranges. By invitation, five clients viewed the jewellery in Hong Kong during March 2009. All five have committed to trialling this range in their retail operations. This is extremely exciting as the commitment comes at a time when many in the jewellery industry are at a loss. For the first time ever, South Sea pearls are being offered to a broad jewellery consumer base. A key statistic that underlines the importance of broadening our market is that only 5% of all jewellery marketed world-wide is represented by pearls and only 2% (by value) is South Sea pearls.

10. DIRECTORS' INTERESTS

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

	Ordinary Shares	
	Direct	**Indirect**
G.R.W. Snow	-	13,919,184
I.M. Murchison	-	750,000
S.P. Birkbeck	-	400,000
J.J.U. Taylor (1)	20,000	1,200,000

1. The 1,200,000 shares held indirectly by Dr J Taylor are held in trust under the rules of the Employee Share Plan. The ownership of these shares does not vest to Dr Taylor until certain employment conditions are met (Refer Note 24).

11. OPTIONS

The Company had no options granted over unissued shares during or since the end of the financial year.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

12.1. Indemnification

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

12.2. Insurance Premiums

Since the end of the previous financial year the Company has paid insurance premiums of $18,370 (2007 - $20,476) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

13. PROCEEDINGS ON BEHALF OF THE COMPANY

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

14. NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out below.

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

The following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms during the years ended 31 December:

	Consolidated	
	2008	**2007**
AUDIT SERVICES	**$**	**$**
BDO Kendalls Australian Firm:		
Audit and review of financial reports	62,349	22,965
Related practices of BDO Kendalls Australian Firm	38,523	34,027
Total remuneration for audit services	100,872	56,992
NON-AUDIT SERVICES		
Audit-related services		
BDO Kendalls Australian Firm:		
Audit of regulatory returns	-	9,424
Related practices of BDO Kendalls Australian Firm	-	-
Total remuneration for audit-related services	-	9,424

TAXATION SERVICES		
BDO Kendalls Australian Firm:		
Tax compliance services and advice	21,350	12,500
Related practices of BDO Kendalls Australian Firm	3,427	-
Total remuneration for taxation services	24,777	12,500
Total remuneration for non-audit and taxation services	24,777	21,924

15. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditors independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

Signed in accordance with a resolution of the Directors

G.R.W. Snow
Chairman
25 March 2009

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

25 March 2009

Board of 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 of Atlas South Sea Pearl Limited for the year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Glyn O'Brien
Director

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

ATLAS SOUTH SEA PEARL LIMITED AND ITS SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
		$	$	$	$
Revenue from continuing operations	2	13,304,009	14,449,678	12,322,020	13,399,089
Other income	2	3,626,741	6,530,519	3,201,324	1,493,624
Cost of goods sold		(3,965,302)	(4,124,999)	(5,308,006)	(6,097,957)
Marketing expenses		(1,256,451)	(1,435,724)	(1,119,440)	(1,319,927)
Administration expenses	3	(7,560,548)	(3,637,883)	(5,481,337)	(1,560,896)
Finance costs	3	(142,691)	(17,673)	(142,691)	(17,673)
Research and development		(182,167)	(70,000)	(182,167)	(70,000)
Other expenses	3	(4,560,483)	(198,053)	(2,140,917)	(203,122)
Total expenses		**(17,667,642)**	**(9,484,332)**	**14,374,558**	**(9,269,575)**
Profit/(Loss) before related income tax expense		**(736,892)**	**11,495,865**	**1,148,786**	**5,623,138**
Income tax (expense)/benefit	4	460,898	(3,463,022)	(380,045)	(1,686,116)
Profit/(Loss) after income tax from continuing operations		**(275,994)**	**8,032,843**	**768,741**	**3,937,022**
Profit/(Loss) after income tax attributable to members of the parent entity		**(275,994)**	**8,032,843**	**768,741**	**3,937,022**
Overall operations					
Basic earnings per share **(cents)**	5	(0.31)	8.94		
Diluted earnings per share **(cents)**	5	(0.31)	8.94		

The accompanying notes form part of these financial statements.

ATLAS SOUTH SEA PEARL LIMITED AND ITS SUBSIDIARIES
BALANCE SHEETS
AS AT 31 DECEMBER 2008

		CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
	Note	$	$	$	$
Current assets					
Cash and cash equivalents	6	437,464	1,032,797	143,208	702,997
Trade and other receivables	7	4,646,324	2,580,632	22,481,098	18,364,599
Financial instruments	8	-	116,581	-	116,581
Inventories	9	7,275,625	3,228,207	5,358,611	2,366,379
Biological assets	10	8,133,219	8,569,494	-	-
Total current assets		20,492,632	15,527,711	27,982,917	21,550,556
Non-current assets					
Trade and other receivables	7	36,802	577,995	36,802	577,995
Inventories	9	89,951	77,671	-	-
Biological assets	10	9,917,315	9,323,674	-	-
Other financial assets	11	-	-	46,708	28,959
Property, plant and equipment	12	2,807,501	2,290,465	3,501	18,177
Deferred tax assets	15	1,178,040	172,152	1,058,078	103,975
Total non-current assets		14,029,609	12,441,957	1,145,089	729,106
Total assets		34,522,241	27,969,668	29,128,006	22,279,662
Current liabilities					
Trade and other payables	13	1,594,317	928,854	1,100,973	593,305
Borrowings	14	4,461,309	279,438	4,461,309	279,438
Financial instruments	8	2,956,100	152,601	2,956,100	36,890
Current tax liabilities	15	-	349,912	-	289,389
Total current liabilities		9,011,726	1,710,805	8,518,382	1,199,022
Non-current liabilities					
Deferred tax liabilities	15	3,242,358	2,815,254	1,195,914	369,504
Long term provisions	16	97,014	67,879	41,280	36,268
Total non-current liabilities		3,339,372	2,883,133	1,237,195	405,772
Total liabilities		12,351,098	4,593,938	9,755,577	1,604,794
Net assets		22,171,143	23,375,730	19,372,429	20,674,868
Equity					
Contributed equity	17	19,250,564	19,544,815	19,250,564	19,544,815
Reserves	18	(5,057,532)	(6,224,108)	59,085	35,096
Retained profits	19	7,978,111	10,055,023	62,780	1,094,957
Total equity		22,171,143	23,375,730	19,372,429	20,674,868

The accompanying notes form part of these financial statements.

ATLAS SOUTH SEA PEARL LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

		CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
	Note	$	$	$	$
Effect of change in accounting policy:					
Total equity at the beginning of the year		23,375,730	18,198,998	20,674,868	19,968,428
Adjustment on change in accounting policy for AASB 141 to: Retained profits net of tax	1.8	-	2,193,466	-	58,385
Restated total equity at the beginning of the financial year		23,375,730	20,392,464	20,674,868	20,026,813
Exchange differences on translation of foreign operations	18	1,142,586	(1,760,610)	-	-
Net income/(expense)recognised directly in equity		1,142,586	(1,760,610)	-	-
Profit/(Loss) for the year	19	(275,994)	8,032,843	768,741	3,937,022
Total recognised income and expense for the year		866,592	6,272,233	768,741	3,937,022
Shares issued during the year	17	-	440,000	-	440,000
Shares forfeited/cancelled during the year	17	(294,250)	(155,947)	(294,250)	(155,947)
Share based payments	18	23,989	24,644	23,988	24,644
Dividend payment	20	(1,800,918)	(3,597,664)	(1,800,918)	(3,597,664)
Total Movement in Equity		(1,204,587)	2,983,266	(1,302,439)	648,055
Total equity at the end of the year		22,171,143	23,375,730	19,372,429	20,674,868

The accompanying notes form part of these financial statements.

ATLAS SOUTH SEA PEARL LIMITED AND ITS SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Cash flows from operating activities				
Proceeds from pearl, jewellery and oyster sales	12,677,582	13,389,753	11,659,653	12,976,360
Proceeds from other operating activities	801,433	340,143	245,726	281,354
Interest paid	(69,253)	(5,079)	(68,040)	(5,079)
Interest received	41,105	61,922	34,975	64,129
Payments to suppliers and employees	(11,955,640)	(9,957,823)	(4,144,097)	(2,521,541)
Income tax(paid)/received	(1,248,512)	(1,746,419)	(1,052,155)	(1,259,914)
Net cash provided by/(used in) operating activities(Note 25.2)	246,715	2,082,497	6,676,062	9,535,309
Cash flows from investing activities				
Advances to controlled entities	-	-	(8,121,971)	(7,671,321)
Payments for property, plant and equipment	(849,317)	(601,309)	(2,550)	(4,729)
Proceeds on disposal of fixed assets	1,483	15,573	-	-
Payment for purchase of subsidiary	-	-	-	(34)
Net cash provided by/(used in) investing activities	(847,834)	(585,736)	(8,124,521)	(7,676,084)
Cash flows from financing activities				
Proceeds from borrowings	3,640,701	1,190,168	3,640,701	1,190,168
Repayment of borrowings	(1,069,315)	(910,730)	(1,069,315)	(910,730)
Proceeds from issue of shares	-	440,000	-	440,000
Loan to employees to purchase shares	-	(440,000)	-	(440,000)
Repayment of loan to employees	118,202	130,000	118,202	130,000
Payments for purchase of company shares	-	(155,947)	-	(155,947)
Dividend payment	(1,800,918)	(3,597,663)	(1,800,918)	(3,597,663)
Net cash provided by/(used in) financing activities	888,670	(3,344,172)	888,670	(3,344,172)
Net increase/(decrease) in cash and cash equivalents	287,551	(1,847,411)	(559,789)	(1,484,947)
Cash and cash equivalents at the beginning of the financial year	1,032,797	2,631,979	702,997	2,187,944
Effects of exchange rate changes on cash and cash equivalents	(882,884)	248,229	-	-
Cash and cash equivalents at the end of the financial year (Note 25.1)	437,464	1,032,797	143,208	702,997

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Atlas South Sea Pearl Ltd and its subsidiaries, and Atlas South Sea Pearl Ltd as an individual entity. Atlas South Sea Pearl Ltd is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 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).

1.3 Historical Cost Convention

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

1.4 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.29.

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 31 December 2008 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 – 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 year end are valued at cost.

(c) Oysters – refer note 1.8

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 31 December are provided at Note 10.

Change in accounting policy

In the year ended 31 December 2007 the Group changed its accounting policy for Biological Assets.

The Group has applied AASB 141 *Agriculture*. The standard requires that all inventories, which meet the definition of a biological asset – a living animal or plant, shall be measured on initial recognition and at each reporting date at its fair value less estimated point of sale costs, except where the fair value cannot be reliably measured.

In previous reporting periods the directors believed that the most appropriate market valuation for their oysters was their cost of production due to there being no market for oysters for which a reliable valuation comparison can be made. Since this date the directors believe that the company's accumulated knowledge and experience has enabled them to provide a reliable estimate and provide reasonable assumptions upon which to calculate the fair value. The effect of this change is noted below.

The change in policy was necessary for the financial report to provide more relevant information about the Groups financial position, financial performance and cashflows. The new policy has been applied prospectively from the start of 2007. Accordingly, the adoption of the new policy has no effect on prior years.

It was not practicable to adjust amounts relating to periods prior to those presented below, including the adjustment required on the opening balance sheet for the year ended 31 December 2006 and therefore the impact for the 2006 income statement. The change in accounting policy has been applied from 31 December 2007, prior to this date the Directors believe that they were unable to distinguish the information that would have been available when the initial financial report for that prior period was authorised for issue.

As a result opening retained earnings for the year ended 31 December 2007 was increased by $2,193,466 for the Group and $58,385 for the individual parent entity, reflecting the initial recognition of oysters and of harvested pearls, the tax effects of the recognition and the effects of moving from a cost to fair value basis on consolidation.

1.9 Property, Plant & Equipment

Each class of property, plant & equipment is stated at historical 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 and their useful lives are reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets which is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the 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**	
	2008	**2007**
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	20-50%	20-50%

1.10 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 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 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 reporting date. Unrealised gains and losses arising from changes in fair value are taken directly to equity. Investments are designated as available- for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(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.

1.11 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 Translation

(a) **Functional and presentation currency**

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

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.

Share-based payments

Share-based compensation benefits are provided to employees via the Atlas South Sea Pearl Limited Employee Share Plan. Information relating to this scheme is set out in note 24.

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 Leases

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

1.19 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.

Collectibility 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.

1.20 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.

1.21 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.

1.22 Borrowing costs

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

1.23 Contributed Equity

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

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

1.24 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.

1.25 Goods and Service Tax (GST)

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

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

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

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

1.26 Earnings Per Share

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

1.27 Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

1.28 Comparative Figures

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

1.29 Critical accounting estimates and judgments

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

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

Key estimates – Impairment

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

Critical judgements in applying the entity's accounting policies

– Doubtful debts provision

No provision has been recognised in respect of receivables owed to the Group for the year ended 31 December 2007 or 2008.

– Impairment of financial assets

In the 2008 financial report, the Group and the parent entity 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 $237,500 has been expensed in the income statement in the year.

– Impairment of biological assets

In the 2008 financial report, the Group made a significant judgement about the impairment of its biological assets. The Group has undertaken an impairment review in relation to juvenile oysters as a result of unexpected mortalities in the month of December caused by environmental factors. The total impairment loss expensed in the income statement in the year was $575,462.

– Determination of net market value of inventories and biological assets

Agricultural assets include pearl oysters, both seeded and unseeded and pearls that have been harvested from the oysters which remain unsold. Seeded oysters are measured at their fair value using the net present value of expected future net cash flows attributed to this inventory less the estimated 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 are as follows:

	2008	**2007**
Average selling price for pearls*	¥6,600 per momme	¥12,000 per momme
¥ exchange rate	¥61.11:AUD1.00	¥89.62:AUD1.00
Average pearl size	0.52 momme	0.48 momme
Proportion of market grade pearls	79%	75%
Discount rate applied to cash flow	20%	30%
Mortality & Rejection rates	Historical comparison	Historical comparison
Average unseeded oyster value	$2.17	$2.60

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

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

	CONSOLIDATED		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
2. REVENUE FROM CONTINUING OPERATIONS				
Sales revenue				
Sale of goods	13,118,686	14,333,149	12,228,086	13,300,857
Services	-	11,807	-	-
Other revenue				
Interest income	39,068	70,368	32,939	65,107
Other revenues	146,255	34,354	60,995	33,125
Revenue	**13,304,009**	**14,449,678**	**12,322,020**	**13,399,089**
Change in net market value of biological assets				
Change in fair value less point of sale costs of oysters	-	5,296,275	-	-
Gain arising on initial recognition of harvested pearls	1,231,944	795,537	1,535,646	1,059,872
	1,231,944	6,091,812	1,535,646	1,059,872
Other income				
Foreign exchange gains	2,207,580	438,707	1,478,461	77,082
Gain on foreign currency derivatives not qualifying as hedges	187,217	-	187,217	356,670
Other income	**3,626,741**	**6,530,519**	**3,201,324**	**1,493,624**
3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS				
Administration expenses from ordinary activities				
Salaries and wages	1,823,543	1,643,418	930,006	834,784
Depreciation property, plant and equipment	72,604	74,936	17,226	16,779
Loss on sale of property, plant and equipment	20,444	1,439	-	-
Loss on financial instruments	4,119,073	391,335	3,930,943	36,890
Share based payment to employees	29,323	24,644	11,573	4,227
Operating lease rental costs	153,254	101,429	20,623	22,567
Other	1,342,307	1,400,682	570,966	645,649
	7,560,548	3,637,883	5,481,337	1,560,896

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
3. PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS (Cont.)	$	$	$	$
Other expenses from ordinary activities				
Foreign exchange loss	2,160,786	133,036	1,870,391	172,428
Provision for employee entitlements	159,159	65,017	33,026	30,694
Change in net market value of biological assets				
Change in fair value less point of sale costs of oysters	1,427,576	-	-	-
Impairment losses – financial assets				
Other receivables (refer note 7)	237,500	-	237,500	-
Impairment of other assets				
Biological assets (refer note 10)	575,462	-	-	-
	4,560,483	198,053	2,140,917	203,122
Finance costs				
Interest and finance charges payable	142,691	5,079	142,691	5,079
Exchange losses on foreign currency borrowings	-	12,594	-	12,594
Finance costs expensed	142,691	17,673	142,691	17,673
Cost of sales includes:				
Write-down of inventory	351,930	303,868	351,930	221,579
Net loss on foreign currency derivatives not qualifying as hedges	3,931,856	391,335	3,743,726	36,890

4. INCOME TAX EXPENSE

a) The components of tax expense comprise:				
Current tax	(1,039,682)	1,678,558	507,737	1,321,424
Deferred tax	578,784	1,784,464	(127,692)	364,692
	(460,898)	3,463,022	380,045	1,686,116
b) Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease(increase) in deferred tax assets (note 15)	(1,005,888)	(89,491)	(954,103)	20,648
(Decrease)increase in deferred tax liabilities (note 15)	427,104	1,873,955	826,411	(385,340)
	578,784	1,784,464	(127,692)	364,692

4. INCOME TAX EXPENSE (Cont.)

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
c) Numerical reconciliation of income tax expense to prima facie tax payable:				
Accounting profit/(loss) before income tax expense	(736,892)	11,495,865	1,148,786	5,623,138
Tax at the Australian tax rate of 30%	(221,068)	3,448,759	344,636	1,686,942
Tax effect of amounts which are not deductible in calculating taxable income:				
Non deductible expenses	337,001	81,399	4,184	1,805
Tax losses not brought to account	23,607	(103,869)	-	-
Permanent Differences (Indonesia)	(557,897)	-	-	-
Previously unrecognised tax losses used to reduce current tax expense	(72,826)	-	-	-
Difference in overseas tax rates	2,326	-	-	-
Income tax under/(over) provided in prior years	27,959	36,733	31,225	(2,631)
Income tax expense	(460,898)	3,463,022	380,045	1,686,116
Weighted average effective tax rates	N/a	30.10%	33%	29.98%

The effective tax rate in 2007 for the consolidated entity is reduced by the utilisation of losses not brought to account in Indonesia.

In 2008 the effective tax rate for the consolidated entity has been affected by the overall movement in the deferred tax liabilities due to the decrease in fair value in the year of its biological assets and its associated impairment loss.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
d) Deferred income tax at 31 December relates to the following:				
Deferred tax liabilities				
Accrued interest	611	(173)	611	(173)
Fair value adjustment on biological assets and agricultural produce	(82,522)	(2,767,600)	(460,694)	(342,984)
Tax effect of change in accounting policy (see note 1.8)	-	940,056	-	25,022
Deferred tax assets				
Difference in accounting and tax depreciation	41,098	(8,870)	2,684	1,163
Accruals	(4,463)	203	4,050	(8,310)
Provisions	15,679	39,017	9,908	10,328
Unrealised foreign exchange losses	842,852	46,920	846,861	(37,865)
Unrealised foreign exchange gains	(345,193)	(46,974)	(366,327)	(25,840)
Other	110,722	12,957	90,599	13,967
Deferred tax income/(expense)	578,784	(1,784,464)	127,692	(364,692)

For details of the franking account, refer to Note 20.

5. EARNINGS PER SHARE

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $
Basic earnings per share (cents per share)	(0.0031)	0.0894
Diluted earnings per share (cents per share)	(0.0031)	0.0894

Earnings reconciliation	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $
Net profit/(loss) used for basic earnings	(275,994)	8,032,843
After tax effect of dilutive securities	-	-
Diluted earnings	(275,994)	8,032,843

	2008	2007
Weighted average number of ordinary shares outstanding during the year used for calculation of basic earnings per share	89,596,300	89,825,821
Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earnings per share	89,596,300	89,825,821

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 31 December as potential ordinary shares which may have a dilutive effect on the profit of the Consolidated Group. There were no options or other equities on issue that would create a dilutive effect as at 31 December.

Ordinary shares issued to employees are included in the weighted average number of potential ordinary shares. They do not have a dilutive effect on earnings as they are already issued.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
6. CASH AND CASH EQUIVALENTS				
Cash at bank	437,464	732,797	143,208	402,997
Deposits at call	-	300,000	-	300,000
	437,464	1,032,797	143,208	702,997

Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is disclosed in note 31. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

7. TRADE & OTHER RECEIVABLES

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	THE COMPANY 2008 $	THE COMPANY 2007 $
CURRENT				
Trade receivables	2,869,124	1,847,870	2,849,330	1,628,109
Income tax receivable	503,083	9,884	255,027	-
Sundry debtors & prepayments	1,068,132	511,628	966,549	28,991
Impairment of sundry debtors	(77,000)	-	(77,000)	-
Loans to key management personnel and employees	443,395	211,250	443,395	211,250
Impairment of loans to key management personnel and employees	(160,500)	-	(160,500)	-
Amount receivable from subsidiaries	-	-	22,385,440	20,677,392
Provision for impairment of receivables from subsidiaries	-	-	(4,181,143)	(4,181,143)
	4,646,234	2,580,632	22,481,098	18,364,599
NON-CURRENT				
Loans to key management personnel and employees	36,802	577,995	36,802	577,995
	36,802	577,995	36,802	577,995

Details regarding Loans to employees and key management personnel are set out in note 26.

(a) Impaired trade receivables

There were no impaired trade receivables for the company or consolidated entity in 2008 or 2007 except for the intercompany balances for which there has been no movement in the impairment provision.

(b) Impaired other receivables

As at 31 December 2008 current other receivables of the Group and parent with a value of $237,500 were impaired. The receivables relate to debtors secured on shares of which the fair value is substantially lower than cost as at 31 December 2008. The ageing of these receivables is all within 12 months except for $36,802 due in more than 12 months. The impairment expense of $237,500 has been expensed within other expenses in the income statement for the year.

7. TRADE AND OTHER RECEIVABLES (Cont.)

Movements in the provision for impairment of other receivables are as follows:

	CONSOLIDATED	
	2008	2007
	$	$
As at 1 January	-	-
Provision for impairment recognised during the year	237,500	-
Receivables written off during the year as uncollectable	-	-
Unused amount reversed	-	-
	237,500	-

(c) Past due but not impaired

As at 31 December 2008, trade receivables of $2,291,847, (2007:$672,626) were past due but not impaired in the Group. Within the Group these relate to a number of independent customers for whom there is no recent history of default. In the parent entity the trade receivables balance relates solely to the receivable due from Pearlautore International as set out in note 31. Given the past history with this customer no impairment has been recognised in the financial period. The trade terms for Pearlautore have been extended on a temporary basis for a proportion of debt that was in place from sales made prior to November 2008. The carrying value of these renegotiated receivables was $1,912,982. This debt will be repaid in full by May 2009. All payments scheduled under this arrangement have been met. Sales from November 2008 have been made on normal trade terms with all payments due within 90 days. These payments have been met as and when they have fallen due. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Up to one month	831,864	585,407	831,864	491,020
2-3 months	995,077	51,682	994,096	-
3 months and above	464,906	35,537	456,736	-
	2,291,847	672,626	2,282,696	491,020

The other classes within trade and other receivables do not contain impaired assets other than those disclosed and are not past due. Based on the credit history of these other classes, and also that a majority is due from current employees, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables, other than $480,197 (2007:$789,245) for loans to employees where the shares are held in trust until the loans are repaid in full.

(d) Other receivables

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

7. TRADE AND OTHER RECEIVABLES (Cont.)

(e) Foreign exchange and interest rate risk

The Group's and the parent entity's exposure to interest rate risk and foreign exchange risk in relation to trade and other receivables is disclosed in note 31

(f) Fair value and credit risk

Due to the short term nature of these receivables , their carrying amount is assumed to approximate their fair value. The non current portion of key management personnel loans is also considered to be at its fair value at balance date.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above with the exception of key management personnel loans which are secured by the shares held in trust. Refer to note 31 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8. FINANCIAL INSTRUMENTS – CURRENT

Forward foreign exchange contracts - assets	-	116,581	-	116,581
Forward foreign exchange contracts - liabilities	2,956,100	152,601	2,956,100	36,890

(a) Instruments used by the Group

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 (refer note 31)

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 Groups operating expenses mainly consist of materials and services purchased in Indonesian Rupiah. In order to protect against exchange rate movements, the Group had entered into forward exchange contracts to purchase Indonesian Rupiah during the year. In addition the sale of pearls is denominated in Japanese Yen and so the Group has entered into forward exchange contracts and options to sell Japanese Yen and receive Australian Dollars.

See note 1.11 for details of accounting policy in relation to derivatives.

(b) Risk exposures

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 31.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$

9. INVENTORIES

CURRENT				
Pearls – at fair value	6,281,315	2,366,379	5,358,611	2,366,379
Pearls – at cost	47,567	47,261	-	-
	6,328,882	2,413,640	5,358,611	2,366,379
Other – at cost	946,743	814,567	-	-
	7,275,625	3,228,207	5,358,611	2,366,379
NON CURRENT				
Nuclei – at cost	89,951	77,671	-	-
TOTAL INVENTORY	7,365,576	3,305,878	5,358,611	2,366,379

A reconciliation of the movement on the fair market value of the pearls is as follows:

Carrying amount at beginning of the year	2,413,640	1,434,492	2,366,379	1,692,234
Adjustment on change in accounting policy (see note 1.8)	-	341,149	-	83,407
Harvest of new pearls	11,853,529	6,131,634	9,102,576	6,131,634
Deemed cost of pearls sold	(9,170,537)	(6,336,433)	(7,645,990)	(6,600,768)
Gain/(Loss) from changes to fair value less estimated point of sale costs	1,231,944	795,537	1,535,646	1,059,872
Net effect of change in pearls at cost	306	47,261	-	-
Carrying amount at end of the year	6,328,882	2,413,640	5,358,611	2,366,379

Inventories recognised as an expense during the year ended 31 December 2008 amounted to $351,930 (2007:$303,868) .

10. BIOLOGICAL ASSETS

CURRENT				
Oysters – at fair value	8,133,219	8,569,494	-	-
NON CURRENT				
Oysters – at fair value	10,492,777	9,323,674	-	-
Oysters – impairment	(575,462)	-	-	-
	9,917,315	9,323,674		
Total Biological Assets	18,050,534	17,893,168	-	-

10. BIOLOGICAL ASSETS (Cont.)

The Company has undertaken an impairment test in relation to juvenile oysters as a result of unexpected mortalities in the month of December caused by environmental factors. Because of the strong 2008 juvenile production results, this event will not adversely affect future operations. Inventories recognised as an expense during the year ended 31 December 2008 amounted to $575,462 and consisted of the impairment charge recognised in relation to the unexpected mortalities of juvenile oysters.

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

Nature:- Oysters (*Pinctada Maxima*)

	2008 No.	2007 No.
Quantity held within the Group operations:-		
Juvenile oysters which are not nucleated	671,569	692,115
Nucleated oysters	787,387	760,769
	1,458,956	1,452,884

During the year ended 31 December 2008, the Group harvested approximately 312,967 pearls. A reconciliation of the movement in the fair market value of the oysters during the year is reflected as follows:

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Oysters				
Carrying amount at beginning of the year	17,893,168	9,439,464	-	-
Adjustment on change in accounting policy (see note 1.8)	-	2,785,779	-	-
Value of new juvenile oysters recognised into stock	1,905,446	1,335,909	-	-
Increase in value of stock from change in pearl oyster development	4,852,430	7,575,324	-	-
Decrease in value through natural mortality	(3,415,137)	(2,840,917)	-	-
Decrease in value of Agriculture asset from harvest of pearls	(11,853,529)	(6,131,634)	-	-
Gain/(Loss) from changes to fair value less estimated point of sale costs	7,538,739	7,248,867	-	-
Exchange adjustment	1,704,879	(1,519,624)		
Impairment provision	(575,462)	-	-	-
Carrying amount at end of the year	18,050,534	17,893,168	-	-

10. BIOLOGICAL ASSETS (Cont.)

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

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
11. OTHER FINANCIAL ASSETS				
Shares in subsidiaries				
Unlisted shares (see Note 31)	-	-	2,796,712	2,778,963
Provision for impairment	-	-	(2,750,004)	(2,750,004)
	-	-	46,708	28,959

Shares in subsidiaries -
These financial assets are carried at cost.

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	THE COMPANY 2008 $	THE COMPANY 2007 $
12. PROPERTY, PLANT AND EQUIPMENT				
(a) Non-Pearling Assets				
Plant and equipment				
- at cost	99,138	96,588	99,138	96,588
- accumulated depreciation	(95,637)	(78,411)	(95,637)	(78,411)
	3,501	18,177	3,501	18,177
(b) Pearling project				
Land (leasehold and freehold) and buildings				
- at cost	1,567,148	1,231,527	-	-
- accumulated depreciation	(776,897)	(640,493)	-	-
	790,251	591,034	-	-
Plant and equipment, vessels, vehicles				
- at cost	5,129,475	4,135,156	-	-
- accumulated depreciation	(3,115,726)	(2,453,903)	-	-
	2,013,749	1,681,253	-	-
Total pearling project	2,804,000	2,272,288	-	-
Total property, plant and equipment	2,807,501	2,290,465	3,501	18,177

Included in Pearling project land (leasehold and freehold) and buildings is $259,580 (2007 - $178,063) which represents construction of buildings in progress at cost.

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	THE COMPANY 2008 $	THE COMPANY 2007 $
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
(a) General				
Carrying amount at beginning of the year	18,177	30,228	18,177	30,228
Additions	2,550	4,728	2,550	4,728
Disposals	-	-	-	-
Depreciation	(17,226)	(16,779)	(17,226)	(16,779)
Carrying amount at end of the year	3,501	18,177	3,501	18,177

12. PROPERTY, PLANT AND EQUIPMENT (Cont.)

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
(b) Pearling project				
Leasehold land and buildings				
Carrying amount at beginning of the year	591,034	761,773	-	-
Additions	246,271	142,247	-	-
Disposals/writedowns	(43,796)	(132,122)	-	-
Depreciation	(70,318)	(80,448)	-	-
Foreign exchange movement	67,060	(100,417)	-	-
Carrying amount at end of the year	790,251	591,034	-	-
(c) Plant and equipment, vessels, vehicles				
Carrying amount at beginning of the year	1,681,254	1,794,710	-	-
Additions	583,200	517,878	-	-
Disposals	(3,617)	-	-	-
Depreciation	(405,707)	(372,838)	-	-
Foreign exchange movement	158,619	(258,496)	-	-
Carrying amount at end of the year	2,013,749	1,681,254	-	-
Total Carrying amount	2,807,501	2,290,465	3,501	18,177

Refer note 31 for information on non-current assets pledged as security by the parent entity and its subsidiaries

13. TRADE AND OTHER PAYABLES

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
CURRENT				
Trade payables	591,427	344,889	557,393	278,843
Loans from subsidiaries	-	-	14,198	14,003
Other payables and accrued expenses	1,002,890	583,965	529,382	300,459
	1,594,317	928,854	1,100,973	593,305

13. TRADE AND OTHER PAYABLES (Cont.)

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

Other payables includes accruals for annual leave of $435,639 and $334,184 in the consolidated entity for 2008 and 2007 respectively, and $68,851 and $40,837 in the parent entity for 2008 and 2007 respectively. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

(b) Risk Exposure

Information about the Groups and the parent entity's exposure to foreign exchange risk is provided in note 31.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
14. BORROWINGS				
CURRENT				
Secured bank loan	4,461,309	279,438	4,461,309	279,438
Total secured current borrowings	4,461,309	279,438	4,461,309	279,438

(a) Security and fair value disclosure

Information about the security relating to secured liabilities and the fair value is provided in note 31.

(b) Risk Exposure

Information about the Groups and the parent entity's exposure to risks arising from borrowings is provided in note 31.

15. TAX

(a) Liabilities

CURRENT				
Income tax payable	-	349,912	-	289,389
NON-CURRENT				
Deferred tax liabilities comprises temporary differences attributable to -				
Agricultural and biological assets at fair value	2,850,122	2,767,600	803,678	342,984
Accrued interest income	69	680	69	680
Unrealised foreign exchange gains	392,167	46,974	392,167	25,840
	3,242,358	2,815,254	1,195,914	369,504

15. TAX (Cont.)

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
(b) Assets				
Deferred tax assets comprises temporary differences attributable to -				
Tax allowances relating to property, plant & equipment	5,357	(35,741)	6,375	3,692
Accruals	8,400	12,863	8,400	4,350
Provisions	136,298	120,619	33,039	23,132
Impairment of assets	71,101	-	71,101	-
Unrealised foreign exchange losses	890,610	47,758	890,610	46,148
Other	66,274	26,653	48,553	26,653
	1,178,040	172,152	1,058,078	103,975
(c) Reconciliations				
The overall movement in deferred tax account is as follows:				
Opening balance	(2,643,102)	82,154	(265,528)	124,116
(Charge)/credit to income statement	578,784	(1,784,464)	127,692	(364,692)
Adjustment relating to change in accounting policy (see note 1.8)	-	(940,056)	-	(25,022)
Other movements	-	(736)	-	70
Closing balance	(2,064,318)	(2,643,102)	(137,836)	(265,528)

16. PROVISIONS

NON CURRENT				
Employee benefits	97,014	67,879	41,280	36,268
Number of employees	556	523	4	4

Employee benefits provisions have been recognised in relation to long service leave for Australian and Expatriate employees

Reconciliation of provisions:				
Balance at beginning of year	67,879	48,654	36,268	21,654
Provision used	-	-	-	-
Unused provisions reversed	-	-	-	-
Provisions added	29,135	19,225	5,012	14,614
Closing balance	97,014	67,879	41,280	36,268

17. CONTRIBUTED EQUITY

	CONSOLIDATED		CONSOLIDATED	
	2008	2007	2008	2007
	$	$	No. of shares	No. of shares
Issued and fully paid-up capital	19,250,564	19,544,815	89,220,890	90,045,890
Reconciliation of Issued Capital -				
Balance at beginning of year	19,544,815	19,260,762	90,045,890	89,313,280
Shares issued [1]	-	440,000	-	1,100,000
Shares forfeiture [1]	(294,251)	-	(825,000)	-
Shares bought back and cancelled	-	(155,947)	-	(367,390)
Balance at end of year	19,250,564	19,544,815	89,220,890	90,045,890

(1) Refer Note 24 for details of shares issued to employees and employee shares forfeited.

(i) Rights

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

(ii) Share Buyback

In July 2007, the company commenced an on-market share buyback of up to 4,390,512 shares. In the financial year ended 31 December 2007, 367,390 shares had been bought for a total consideration of $155,947. The average price paid for these shares was 42.4 cents with the price ranging from 40 cents to 44 cents per share. All shares acquired under this buy-back are cancelled by the company.

The share buy-back has been terminated as at the date of this report and no shares had been bought back during the financial year 2008.

(iii) Capital Risk Management

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

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

The Group has no external requirements imposed upon it in relation to capital structure except those noted on page 17 as part of the covenants relating to the financing arrangements with Commonwealth Bank and has no set gearing ratios upon which to monitor its capital.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
18. RESERVES				
Foreign Currency Translation Reserve	5,116,617	6,259,204	-	-
Employee Share Reserve	(59,085)	(35,096)	(59,085)	(35,096)
Total Reserves	5,057,532	6,224,108	(59,085)	(35,096)
Movements :				
Foreign Currency Translation Reserve -				
Balance at beginning of year	6,259,204	4,498,594	-	-
Currency translation differences arising during the year	(1,142,587)	1,760,610	-	-
Balance at end of year	5,116,617	6,259,204	-	-

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the reporting currency.

Employee Share Reserve -				
Balance at beginning of year	(35,096)	(10,452)	(35,096)	(10,452)
Movement in Employee Share Reserve	(23,989)	(24,644)	(23,989)	(24,644)
Balance at end of year	(59,085)	(35,096)	(59,085)	(35,096)

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

19. RETAINED PROFITS

Reconciliation of retained earnings :

Balance at beginning of year	10,055,023	3,426,378	1,094,957	697,214
Adjustment on change in accounting policy for AASB 141 , net of tax (See note 1.8)	-	2,193,466	-	58,385
Net profit/(loss) for the year	(275,994)	8,032,843	768,741	3,937,022
Dividends paid	(1,800,918)	(3,597,664)	(1,800,918)	(3,597,664)
Balance at end of year	7,978,111	10,055,023	62,780	1,094,957

20. DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT $	% FRANKED	DATE PAID
Dividends recognised in the current year by the company are:				
2008				
Interim 2008	2.0	1,800,918	100%	14/07/08
		1,800,918		

20. DIVIDENDS (Cont.)

	CENTS PER SHARE	TOTAL AMOUNT $	% FRANKED	DATE PAID
2007				
Interim 2007	2.0	1,798,832	100%	25/05/07
Final 2007	2.0	1,798,832	100%	26/10/07
		3,597,664		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

	CONSOLIDATED	
	2008	2007
		$
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 30%.	1,561,156	1,532,778

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

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

21. OPTIONS

There were no options that were issued or exercised during the financial years relating to this report. There are no options on issue by the Company as at the date of this report or any time during the period covered under this report.

	CONSOLIDATED	
	2008	2007
	$	$

22. COMMITMENTS

Cancellable operating leases contracted for but not recognised in the financial statements are:

	2008 $	2007 $
Less than one year	21,393	20,475
Longer than one year, but less than 5 years	10,854	31,789
	32,247	52,264

The Company has commitments in relation to the rental of its current office premises. The current lease expires in July 2011.The lease agreement requires the rent to be increased by the greater of CPI or 3% per annum.

In addition the Group is committed to its research and development programme with James Cook University. The total committed research funds for the research project is $50,000 per annum for three years, paid in two 6 monthly instalments of $25,000.

	2008 $	2007 $
Less than one year	50,000	25,000
Longer than one year, but less than 5 years	50,000	-
	100,000	25,000

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

23. CONTINGENT LIABILITIES

There are no contingent liabilities that the Directors are aware of at the date of this report.

24. SHARE BASED PAYMENTS

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

2,425,000 shares remain on issue as at 31 December 2008 with debt of $480,197 outstanding to employees from the initial loan of $1,063,500 that was made when the shares were allocated to employees. Refer note 26 for details of equity held and loans outstanding to Key Management Personnel.

Shares issued to the employees are acquired and held in trust for the employees. The shares are included within contributed equity in the consolidated financial report.

24. SHARE BASED PAYMENTS (Cont.)

The fair value of shares issued under the scheme is measured at the market price at which the company's shares are traded on the Australian Stock Exchange on the grant date. The fair value is recognised in the balance sheet as an issue of shares at issue price in equity and the fair value portion as reserves. A corresponding amount for the fair value is shown as part of employee costs in the period in which the shares vest.

The fair value of the shares is considered to be the difference between the market price on the date of grant and the employees purchase price of the shares. In 2007 the total fair value of the shares issued in the year was $20,000.

There have been no shares issued under the plan in 2008.

The shares rank equally with other fully paid ordinary shares.

Where shares are issued to employees of subsidiaries of the Group, the transactions are treated in accordance with the accounting policy at note 1.14 .

At the company's annual general meeting in May 2007, shareholders approved the allocation of a maximum of 4,000,000 shares to senior executives under the employee share plan within three years of the approval of the plan.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	Number	Number	Number	Number
Number of shares on issue under the employee share plan	2,425,000	3,250,000	700,000	700,000
	2,425,000	3,250,000	700,000	700,000

During 2008 M Pieper and J Jorgensen who were issued shares under the plan resigned from the company and a total of 825,000 shares with an issue price of $ 294,251 were forfeited.

During 2007 J Knauer who was issued shares under the plan resigned from the company and a total of 650,000 shares with an issue price of $188,500 were forfeited.

Expenses arising from share-based payment transactions

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

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Shares issued under the employee share plan	23,989	24,644	11,573	4,227
	23,989	24,644	11,573	4,227

25. NOTES TO THE CASH FLOW STATEMENT

25.1 Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cashflow statement is reconciled to the related items in the balance sheet as follows:-

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank (Note 6)	437,464	732,797	143,208	402,997
Deposits on call (Note 6)	-	300,000	-	300,000
Balances per cashflow statement	437,464	1,032,797	143,208	702,997

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

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Profit/(loss) after income tax	(275,994)	8,032,842	768,741	3,937,022
Inventories	(5,520,721)	(3,583,580)	(1,456,586)	469,134
Increase/(decrease) in interest accrual	12,329	(946)	12,329	(946)
Non cash changes in debtors, prepayments and creditors	(215,971)	636,788	(3,282,549)	1,035,873
Purchase of unprocessed pearls	-	-	6,428,121	5,017,341
Provision for depreciation	477,077	428,125	17,226	16,779
Provision for impairment	813,040	-	237,500	-
Provision for employee entitlements	126,254	130,057	28,689	15,093
Share Based Remuneration	24,087	24,644	6,240	4,227
Amortisation of employee loans	(53,202)	69,005	(53,202)	69,005
(Profit)/loss on disposal of fixed assets	20,444	(1,926)	-	-
Increase/(decrease) in value of financial assets	2,920,081	42,850	3,035,792	(79,692)
Increase/(decrease) in fair value of biological assets	(285,068)	(6,356,247)	(1,535,646)	(1,059,872)
Movement in foreign exchange	3,325,658	183,856	3,129,343	(314,858)
Increase/(decrease) in taxes payable	(1,614,729)	2,477,029	(659,936)	426,203
Net cash provided by/(used in) operating activities	246,715	2,082,497	6,676,062	9,535,309

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

25.3 Credit facilities

As at 31 December 2008, the Company had in place a loan facility with the Commonwealth Bank with a limit of $6,000,000. This facility has been utilised, see note 31 for further disclosure. Information about the security relating to secured liabilities and the fair value is provided in note 31.

26. KEY MANAGEMENT PERSONNEL DISCLOSURE

a. Key management personnel compensation -

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Short-term employment benefits	1,011,998	899,487	707,097	460,400
Post-employment benefits	42,705	41,436	42,705	41,436
Long–term benefits	24,396	50,964	3,758	8,360
Share-based payments	19,374	21,747	2,583	3,638
	1,098,473	1,013,634	756,143	513,834

Detailed remuneration disclosures are provided in section 5.2 of the remuneration report on pages 11 to 18.

b. Equity instrument disclosures relating to key management personnel

i. Options and rights granted as compensation

No options were issued to key management personnel as remuneration in 2008 or 2007.

ii. Option holdings

There were no options on issue to key management personnel during 2008 or 2007.

c. Loans to key management personnel

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

i. Aggregates for key management personnel

Group	Balance at the start of the year	Loans provided during the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	No in Group at the end of the year
	$	$	$	$	$	
2008	584,750	-	-	41,661	375,000	2
2007	522,750	160,000	-	41,056	584,750	3

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

2008 Name	Balance at the start of the year	Loans provided during the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest indebted-ness during the year
	$	$	$	$	$	$
J. Taylor	287,000	-	-	23,977	263,000	287,000
J. Jorgensen	175,750	-	-	7,484	-	175,750
S. Adams	122,000	-	-	10,200	112,000	122,000
	584,750	-	-	41,661	375,000	584,750

26. KEY MANAGEMENT PERSONNEL DISCLOSURE (Cont.)

2007 Name	Balance at the start of the year $	Loans provided during the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
J. Taylor	255,000	80,000	-	19,948	287,000	311,000
J. Jorgensen	165,750	40,000	-	13,067	175,750	190,750
S. Adams	102,000	40,000	-	8,041	122,000	132,000
	522,750	160,000	-	41,056	584,750	633,750

All loans to key management persons are under terms and conditions as set out in note 24 relating to the employee share plan.

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

Impairment of receivables of $103,000 have been recognised in relation to loans made to key management personnel as noted in Note 7 as part of the provision for impairment on loans to employees and key management personnel.

d. Shareholdings

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

Details of shares that were granted as compensation during the reporting period are provided at note 24 and in the Remuneration Report contained at section 5 of the Directors' Report.

	Balance 1/1/08	Granted as compensation	Options Exercised	Other Changes *	Balance 31/12/08
Parent Entity Directors					
Mr S.J. Arrow**	1,952,934	-	-	(1,952,934)	-
Mr S.P. Birkbeck	400,000	-	-	-	400,000
Mr I.M. Murchison	700,000	-	-	50,000	750,000
Mr G.R.W Snow	13,899,373	-	-	19,811	13,919,184
Mr J.J.U. Taylor	1,220,000	-	-	-	1,220,000
Other key management personnel					
Mr S.C.B. Adams	500,000	-	-	-	500,000
Mr J.S. Jorgensen	784,034	-	-	(784,034)	-
	19,456,341	-	-	(2,667,157)	16,789,184

* Other changes refers to shares purchased or sold during the financial year

** Director retired in the financial year

26. KEY MANAGEMENT PERSONNEL DISCLOSURE (Cont.)

	Balance 1/1/07	Granted as compensation	Options Exercised	Other Changes *	Balance 31/12/07
Parent Entity Directors					
Mr S.J. Arrow	1,952,934	-	-	-	1,952,934
Mr S.P. Birkbeck	790,000	-	-	(390,000)	400,000
Mr I.M. Murchison	690,000	-	-	10,000	700,000
Mr G.R.W Snow	14,384,556	-	-	(485,183)	13,899,373
Mr J.J.U. Taylor	1,020,000	200,000	-	-	1,220,000
Other key management personnel					
Mr S.C.B. Adams	400,000	100,000	-	-	500,000
Mr J.S. Jorgensen	684,034	100,000	-	-	784,034
	19,921,524	400,000	-	(865,183)	19,456,341

* Other changes refers to shares purchased or sold during the financial year

e. Other transactions

Key management personnel

The Company has a consultancy agreement with Arrow Pearling Co Pty Ltd, a company of which Mr S Arrow is a director, under which staff of the Group have been trained as pearl operation technicians at the Indonesian pearl farm. During the year, $110,507 (2007 - $34,442) was payable to Arrow Pearling Co Pty Ltd as consulting fees. This agreement was entered into prior to Mr Arrow becoming a Director of the Company. It was entered into on commercial terms and expires in March 2009.

Payments were made in the year for additional marketing consultancy undertaken to Mr S Birkbeck for $18,000 under normal commercial terms.

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

26. KEY MANAGEMENT PERSONNEL DISCLOSURE (Cont.)

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

Consolidated and Company	**2008**	**2007**
	$	**$**
Amounts recognised as expense		
Marketing consultancy	18,000	2,500
Royalty	110,507	34,442
Amounts recognised as liability		
Payables	110,507	29,674

27. RELATED PARTY TRANSACTIONS

Subsidiaries

Interests in subsidiaries are set out in note 30.

The Company purchased pearls to the value of $6,002,166 (2007 - $5,798,314) from its wholly owned controlled subsidiary PT Cendana Indopearls. These transactions are in the normal course of business. There were loans in place between the Company and its subsidiaries (refer Note 7).

The Company sold pearls to the value of $374,423 (2007:$nil) to its wholly owned controlled subsidiary PT Cendana Indopearls. These transactions are in the normal course of business.

No provisions for doubtful debts have been raised in relation to any outstanding balances during 2008, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

Loans to/(from) subsidiaries	**CONSOLIDATED**		**THE COMPANY**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Balance at beginning of financial year	-	-	20,663,388	17,919,579
Loans advanced	-	-	7,315,093	7,940,415
Loan repayments received	-	-	(5,607,239)	(5,196,606)
Interest charged	-	-	-	-
Interest received	-	-	-	-
Balance at end of financial year	-	-	22,371,242	20,663,388

28. REMUNERATION OF AUDITORS

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

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
a. **BDO Kendalls Australia**				
Audit and other assurance services				
Audit and review of financial reports	62,349	22,965	62,349	22,965
Total remuneration for audit and other assurance services	62,349	22,965	62,439	22,965
Taxation Services				
Tax compliance services and advise	21,350	12,500	21,350	12,500
Total remuneration for taxation services	21,350	12,500	21,350	12,500
Other Services				
Review of financial report relating to compliance in the USA	-	9,424	-	9,424
Total remuneration of BDO Kendalls Australia	83,699	44,889	83,699	44,889
a. **Related practices of BDO Kendalls Australia**				
Audit and other assurance services				
Audit and review of financial reports	38,523	34,027	-	-
Total remuneration for audit and other assurance services	38,523	34,027	-	-
Taxation Services				
Tax compliance services and advise	3,427	-	-	-
Total remuneration for taxation services	3,427	-	-	-
Other Services				
Review of financial report relating to compliance in the USA	-	-	-	-
Total remuneration of related practices of BDO Kendalls Australia	41,950	34,027	-	-
Total auditors remuneration	**125,649**	**78,916**	**83,699**	**44,889**

29. SEGMENT REPORTING

(a) Business Segment (Primary Reporting)

The consolidated entity operates predominantly in the pearling industry in the geographic regions of Australia and Indonesia. For the purposes of segment reporting the Malaysian operations are considered immaterial for the 2008 financial year. Unallocated items represent amounts that do not directly relate to the pearling activities.

(b) Geographical Segment (Secondary Reporting)

	Indonesia	**Australia**	**Eliminations**	**Total**
	$	**$**	**$**	**$**
2008				
Revenue				
External sales revenue	1,271,152	11,886,602	-	13,157,754
Inter-segment revenue	6,802,543	374,423	(7,176,966)	-
Total segment revenue	8,073,695	12,261,025	(7,176,966)	13,157,754
Other unallocated revenue	85,260	60,995		146,255
Total consolidated revenue				13,304,009
Result				
Segment result	933,699	8,167,974	(789,729)	8,311,944
Unallocated corporate (expenses)/revenue	(2,290,210)	(5,714,200)	(1,044,426)	(9,048,835)
Profit/(loss) from ordinary activities before income tax				(736,892)
Income tax expense				460,898
Profit/(loss) for the year				(275,994)
Depreciation and amortisation of segment assets	55,378	17,226		72,604
Other non-cash segment expenses	997,984	270,526		1,268,510
Assets				
Segment assets	23,741,804	8,207,942		31,949,746
Unallocated corporate assets	413,393	2,159,102		2,572,495
Consolidated total assets	24,155,197	10,367,044		34,522,241
Liabilities				
Segment liabilities	(456,556)	(667,525)		(1,124,080)
Unallocated corporate liabilities	(2,138,965)	(9,088,052)		(11,227,018)
Consolidated total liabilities	(2,595,521)	(9,755,577)		(12,351,098)
Impairment of biological assets	575,462			575,462
Impairment of other assets		237,500		237,500
Acquisitions of non-current segment assets	829,471	2,550		832,021
Unallocated acquisitions of non-current assets				-
Total acquisitions				832,021

29. SEGMENT REPORTING (Cont.)

(b) Geographical (continued)

	Indonesia	Australia	Eliminations	Total
	$	$	$	$
2007				
Revenue				
External sales revenue	984,253	13,365,964	-	14,350,217
Inter-segment revenue	4,998,879	-	(4,998,879)	-
Total segment revenue	5,983,132	13,365,964	(4,998,879)	14,350,217
Other unallocated revenue	66,336	33,125		99,461
Total consolidated revenue				14,449,678
Result				
Segment result	5,797,918	6,872,572	806,434	13,476,924
Unallocated corporate (expenses)/revenue	(2,962,271)	(1,160,170)	2,141,381	(1,981,059)
Profit from ordinary activities before income tax				11,495,865
Income tax expense				(3,463,022)
Profit for the year				8,032,843
Depreciation and amortisation of segment assets	58,158	16,779		74,936
Other non-cash segment expenses	210,904	34,423		245,327
Assets				
Segment assets	21,812,337	3,994,487		25,806,824
Unallocated corporate assets	387,940	1,774,904		2,162,844
Consolidated total assets	22,200,277	5,769,391		27,969,668
Liabilities				
Segment liabilities	(376,033)	(355,948)		(731,981)
Unallocated corporate liabilities	(2,630,638)	(1,231,319)		(3,861,957)
Consolidated total liabilities	(3,006,671)	(1,587,267)		(4,593,938)
Acquisitions of non-current segment assets	660,125	4,729		664,854
Unallocated acquisitions of non-current assets				-
Total acquisitions				664,854

30. SUBSIDIARIES

The consolidated financial statements incorporate the assets , liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.5

Name of entity	Class of shares	Percentage owned	Percentage owned	Place of incorporation	Book value of Company's investment	
		2008	2007		2008	2007
					$	$
Sharcon Pty Ltd	Ord	100%	100%	Australia	-	-
Tansim Pty Ltd	Ord	100%	100%	Australia	-	-
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia	46,674	28,925
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia	34	34
					46,708	28,959

The ultimate parent entity, Atlas South Sea Pearl Limited, is incorporated in Australia.

(a) Aspirasi Satria Sdn Bhd

On 21st June 2008 a nominee company was incorporated as a vehicle for undertaking operations in Malaysia. Aspirasi Satria Sdn Bhd is a private company limited by shares, domiciled and incorporated in Malaysia. The company has commenced business in this reporting period, however the contribution to the groups profit from ordinary activities is immaterial to disclose separately.

There were no acquisitions or disposals of subsidiaries during the financial year ended 31 December 2008.

31. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the Board of Directors.

The Group and the parent entity hold the following financial instruments:

	CONSOLIDATED		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	437,465	1,032,797	143,208	702,997
Trade and other receivables	4,023,323	2,900,835	21,669,855	18,927,693
Derivative financial instruments	-	116,581	-	116,581
	4,460,788	4,050,213	21,813,063	19,747,271
Financial Liabilities				
Trade and other payables	1,158,678	607,250	1,032,122	565,048
Borrowings	4,461,309	279,438	4,461,309	279,438
Derivative financial instruments	2,956,100	152,601	2,956,100	36,890
	8,576,087	1,039,289	8,449,531	881,376

Market Risk

(i) Foreign exchange risk

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

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

Management manages their foreign exchange risk against their functional currency. Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts and options.

31. FINANCIAL RISK MANAGEMENT (Cont.)

The Groups exposure to foreign currency risk at the reporting date was as follows:

	31 December 2008			31 December 2007		
	JPY $	IDR $	USD $	JPY $	IDR $	USD $
Cash and cash equivalents	-	98,998	101,631	-	296,545	-
Trade and other receivables	2,725,042	344,625	8,803	1,628,109	282,897	101,843
Trade and other payables	12,495	133,684	63,342	-	43,767	57,714
Borrowings	4,461,307	-	-	279,438	-	-
Forward exchange contracts – buy foreign currency	-	-	-	116,581	-	-
Forward exchange contracts – sell foreign currency	2,956,100	-	-	36,890	115,711	-

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	31 December 2008			31 December 2007		
	JPY $	IDR $	USD $	JPY $	IDR $	USD $
Cash and cash equivalents	-	-	-	-	-	-
Trade and other receivables	2,725,042	4,878,631	-	1,628,109	3,050,651	-
Trade and other payables	12,495	-	63,342		-	57,714
Borrowings	4,461,307	-	-	279,438	-	-
Forward exchange contracts – buy foreign currency	-	-	-	116,581	-	-
Forward exchange contracts – sell foreign currency	2,956,100	-	-	36,890	-	-

31. FINANCIAL RISK MANAGEMENT (Cont.)

Parent entity sensitivity Analysis

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

	Balance Sheet Amount AUD		Foreign Exchange Rate Risk							
			31 December 2008				31 December 2007			
			-10%		10%		-10%		10%	
	2008	2007	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Assets										
Cash	143,208	702,997	-	-	-	-	-	-	-	-
Trade and other receivables	21,669,855	18,915,113	302,782	-	(247,731)	-	180,901	-	(148,010)	-
Derivatives	-	116,581	-	-	-	-	(513,381)	-	844,826	-
Financial Liabilities										
Trade Creditors	1,032,122	552,468	(8,426)	-	6,894	-	(6,413)	-	5,247	-
Borrowings	4,461,309	279,438	(495,701)	-	405,573	-	(31,048)	-	25,404	-
Derivatives	2,956,100	36,890	(1,078,403)	-	1,031,860	-	-	-	-	-
Total Increase/(Decrease)			**(1,279,748)**	**-**	**1,196,596**	**-**	**(369,941)**	**-**	**727,467**	**-**

31. FINANCIAL RISK MANAGEMENT (Cont.)

Group Sensitivity Analysis

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

	Balance Sheet Amount AUD		Foreign Exchange Rate Risk							
			31 December 2008				31 December 2007			
			-10%		10%		-10%		10%	
	2008	2007	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Assets										
Cash	437,465	1,032,797	25,919	-	(21,207)	-	7	-	(2,594)	-
Trade and other receivables	4,023,323	2,888,255	303,761	-	(248,531)	-	192,217	-	(157,268)	-
Derivatives	-	116,581	-	-	-	-	(513,381)	-	844,826	-
Financial Liabilities										
Trade Creditors	1,158,078	594,670	(8,426)	-	6,894	-	(6,413)	-	5,247	-
Borrowings	4,461,309	279,438	(495,701)	-	405,573	-	(31,048)	-	25,404	-
Derivatives	2,956,100	152,601	(1,078,403)	-	1,031,860	-	69,299	-	(334,785)	-
Total Increase/(Decrease)			**(1,252,851)**	**-**	**1,174,590**	**-**	**(289,319)**	**-**	**380,830**	**-**

31. FINANCIAL RISK MANAGEMENT (Cont.)

(ii) Cash flow and fair value interest rate risk

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

(i) Price risk

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

Credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 70, with the exception of key management personnel loans which are held at amortised cost, however the shares are held in trust until full repayment of the loans. For retail customers without credit rating the Group generally retains title over the goods sold until payment is received in full.

The Group is exposed to credit risk as a result of undertaking most of its trade with a single customer – Pearlautore International. In 2008 89% of turnover (2007: 92%). Pearls are sold for the Company with a large number of clients but all receivables are underwritten by Pearlautore International.

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

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

	CONSOLIDATED		THE COMPANY	
Trade receivables	**2008**	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Retail customers – no credit history	19,794	219,761	-	-
Wholesale customers – existing customers with no defaults in the past	2,849,330	1,628,109	2,849,330	1,628,109
Total trade receivables	2,869,124	1,847,870	2,849,330	1,628,109
Derivative financial assets	-	116,581	-	116,581

31. FINANCIAL RISK MANAGEMENT (Cont.)

Liquidity risk

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

Financing arrangements

The Group and the parent entity had access to the following borrowing facilities at the reporting date.

	CONSOLIDATED		THE COMPANY	
Fixed rate	**2008**	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Expiring within one year – Foreign currency loan trade	6,000,000	300,000	6,000,000	300,000
	6,000,000	300,000	6,000,000	300,000

This loan is secured by a registered company charge by Commonwealth Bank of Australia over the whole of the assets and undertakings including uncalled capital of Atlas South Sea Pearl Limited and its related entities. The bank loans are denominated in Japanese Yen with interest rates varying from 2.67% to 3.42% and are repayable within the year. As at reporting date the Company had drawn down $4,461,309 (2007:$285,803) and had undrawn facilities available of $1,538,691 (2007: $14,197).

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant

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

1. Earnings before interest, tax, depreciation and amortisation (EBITDA) will be at least equal to $1,000,000 for each reporting period in each calendar year;
2. Minimum net worth of the borrower (Atlas) will at all times be greater than $23,000,000; and
3. The ratio of net worth of the borrower to total tangible assets of the borrower will at all times be equal to or greater than 51%.

The company has submitted its financial accounts to the Commonwealth Bank for the period ending 31 December 2008. In relation to the first covenant, the bank has agreed that EBITDA should include the exclusion of foreign exchange losses to calculate the minimum earnings requirement and therefore it is compliant with the first undertaking. The Company does not comply with the second financial covenant as the net assets are below $23 million as at 31 December 2008. However, the Commonwealth Bank has reviewed the company's financial records and has advised in writing that it will not exercise its rights relating to the breach of this covenant. The carrying value of the loan in default as at 31 December 2008 was $4,461,309.

31. FINANCIAL RISK MANAGEMENT (Cont.)

Maturities of financial liabilities

The table below analyse the Group's and the parent entity's financial liabilities , net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

	31 December 2008				31 December 2007			
CONSOLIDATED ENTITY	**Less than 6 Months**	**6-12 months**	**Total contractual cash flows**	**Carrying amount (asset)/Liabilities**	**Less than 6 Months**	**6-12 months**	**Total contractual cash flows**	**Carrying amount (asset)/Liabilities**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Derivatives								
Non-interest bearing	1,136,916	21,762	1,158,678	1,158,678	588,348	18,902	607,250	607,250
Fixed rate	4,461,309	-	4,461,309	4,461,309	279,438	-	279,438	279,438
Total non-derivatives	**5,598,225**	**21,762**	**5,619,987**	**5,619,987**	**867,786**	**18,902**	**886,688**	**886,688**
Derivatives								
Gross settled								
-(inflow)	(5,087,553)	(2,411,134)	(7,498,687)	-	(8,316,365)	(4,687,244)	(13,003,609)	(116,581)
-outflow	7,214,697	3,244,174	10,458,871	2,956,100	8,304,141	4,735,486	13,039,628	152,601
Total Derivatives	**2,127,144**	**833,040**	**2,960,184**	**2,956,100**	**(12,224)**	**48,243**	**36,019**	**36,019**

Fixed rate non-derivative liabilities, being the loan to the Commonwealth Bank (CBA), is classified as an amount due within 6 months. This loan is drawn as a bank bill facility which has various maturity dates within the first six months of 2009. However the loan facility with CBA has an annual review which is due at the end of 2009. Bank bills which expire within the first six months of 2009 will be rolled over into a new loan with a revised maturity date within 6-12 months.

31. FINANCIAL RISK MANAGEMENT (Cont.)

	31 December 2008				31 December 2007			
THE COMPANY	**Less than 6 Months**	**6-12 months**	**Total contractual cash flows**	**Carrying amount (asset)/Liabilities**	**Less than 6 Months**	**6-12 months**	**Total contractual cash flows**	**Carrying amount (asset)/Liabilities**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Derivatives								
Non-interest bearing	1,010,360	21,762	1,032,122	1,032,122	546,146	18,902	565,048	565,048
Fixed rate	4,461,309	-	4,461,309	4,461,309	279,438	-	279,438	279,438
Total non-derivatives	**5,471,669**	**21,762**	**5,493,431**	**5,493,431**	**825,584**	**18,902**	**844,486**	**844,486**
Derivatives								
Gross settled								
-(inflow)	(5,087,553)	(2,411,134)	(7,498,687)	-	(7,008,662)	(4,106,780)	(11,115,442)	(116,581)
-outflow	7,214,697	3,244,174	10,458,871	2,956,100	6,904,793	4,130,957	11,035,750	36,890
Total Derivatives	**2,127,144**	**833,040**	**2,960,184**	**2,956,100**	**(103,869)**	**24,177**	**(79,692)**	**(79,692)**

Fixed rate non-derivative liabilities, being the loan to the Commonwealth Bank (CBA), is classified as an amount due within 6 months. This loan is drawn as a bank bill facility which has various maturity dates within the first six months of 2009. However the loan facility with CBA has an annual review which is due at the end of 2009. Bank bills which expire within the first six months of 2009 will be rolled over into a new loan with a revised maturity date within 6-12 months.

31. FINANCIAL RISK MANAGEMENT (Cont.)

Fair value estimation

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

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

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

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

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

32. CHANGE IN ACCOUNTING POLICIES

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2008 unless disclosed in Note 1. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
Revised AASB 123 and AASB 2007-6	AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123,	Removal of option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition of a qualifying asset. There will be no impact on the financial report of the Group.	1 Jan 09	1 Jan 09
AASB 2008-1	Amendments to Australian Accounting Standard – Share based Payments: Vesting Conditions and Cancellations	Clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. It is not expected to affect the accounting for the Group's share based payments.	1 Jan 09	1 Jan 09
Revised AASB 101	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.	Requires changes to presentation and disclosure but will not affect any of the amounts recognised in the financial statements including the presentation of held for trading derivatives split between current and non current.	1 Jan 09	1 Jan 09

32. CHANGE IN ACCOUNTING POLICIES (Cont.)

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
AASB 8 and AASB 2007-3	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.	Significant change in the approach to segment reporting and disclosure , however it is not expected to affect any of the amounts recognised in the financial statements.	1 Jan 09	1 Jan 09
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 141-Agriculture. It requires the use of a market based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. This is not expected to affect any amount recognised in the financial statements.	1 Jan 09	1 Jan 09
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 119: Employee Benefits. A number of changes including a distinction between short term and long term employee benefits. This is not expected to affect any amount recognised in the financial statements	1 Jan 09	1 Jan 09
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 136 Impairment of Assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for a value in use calculation should be made. This is not expected to affect any amount recognised in the financial statements.	1 Jan 09	1 Jan 09

32. CHANGE IN ACCOUNTING POLICIES (Cont.)

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures	Requires changes to presentation and disclosure but will not affect any of the amounts recognised in the financial statements.	1 Jan 09	1 Jan 09

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

33. POST BALANCE DATE EVENTS

On 26 February 2009 Atlas South Sea Pearl Limited announced a Rights Issue. The Company will issue up to 29,740,297 fully paid ordinary shares in the capital of the Company at an issue price of $0.08 each, to raise approximately $2.38 million before costs. The new shares will be offered on the basis of 1 new share for every 3 fully paid ordinary shares. The new shares will rank equally with the Company's existing issued shares.

34. ECONOMIC DEPENDENCY

The company's pearls are sold by private treaty sales through a distribution arrangement with Pearlautore International Pty Ltd in Sydney. Pearls are sold to a number of wholesale customers with a wide geographic spread.

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

ATLAS SOUTH SEA PEARL LIMITED AND ITS SUBSIDIARIES

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

(a) the financial statements comprising the income statement, balance sheet, cashflow statement, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and :

  (i) give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date of the Company and the consolidated entity; and

  (ii) comply with Accounting Standards, and the *Corporations Regulations 2001*.

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

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

(d) the remuneration disclosures included on pages 11 to 18 of the Directors' Report (as part of audited remuneration report) for the year ended 31 December 2008 comply with section 300A of the *Corporations Act 2001*.

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

G.R.W. Snow
Chairman
Perth, Western Australia

25 March 2009

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

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

We have audited the accompanying financial report of Atlas South Sea Pearl Limited and its controlled entities, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising Atlas South Sea Pearl Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion the financial report of Atlas South Sea Pearl Limited is in accordance with the *Corporations Act 2001*, including:

(a) the financial report of Atlas South Sea Pearl Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Atlas South Sea Pearl Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Glyn O'Brien

Glyn O'Brien
Director

Subiaco, Western Australia
Dated this 25th day of March 2009

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 10 March 2009)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Ordinary shares	Percentage of Capital Held
Dampier Investment Group *	13,919,184	15.60%

* Includes shares held in trust by Invia Custodian Pty Limited for Dampier Investments Pty Ltd, Dampier Superannuation and Tempest Pty Ltd.

Voting rights

Ordinary shares

Refer to note 17

Distribution of shareholders – Ordinary Shares

Category	Number of holders
1 - 1,000	134
1,001 – 5,000	663
5,001 – 10,000	466
10,001 – 100,000	916
100,001 and over	123
	2,302
Number holdings less than a marketable parcel	658

Twenty largest shareholders

	Number of ordinary shares held	Percentage of capital held
Invia Custodian Pty Limited <Dampier Investments Pty Ltd>	11,875,156	13.31
Citicorp Nominees Pty Ltd	2,089,598	2.34
C & B Carr	2,000,000	2.24
Dorran Pty Ltd	2,000,000	2.24
Invia Custodian Pty Limited <Tempest Pty Ltd>	1,794,028	2.01
Arrow Pearl Co Pty Ltd	1,508,089	1.69
Capital Property Finance Pty Ltd	1,016,464	1.14
J R & T C Stuart	1,000,000	1.13
Pearlautore International Pty Ltd	942,669	1.06

SHAREHOLDER INFORMATION

Twenty largest shareholders (Cont.)

	Number of ordinary shares held	Percentage of capital held
Nejeka Pty Ltd	800,000	0.90
Forbar Custodians Limited	791,479	0.89
Flinside Pty Ltd	735,910	0.82
Washington H Soul Pattinson and Co Ltd	660,000	0.74
S.A.R. Hoogenberg	650,000	0.73
Tenalga Pty Ltd	650,000	0.73
Five Talents Limited	625,000	0.70
Osbob Super Pty Ltd	605,428	0.68
Beaver Super Pty Ltd	576,407	0.64
National Nominees Ltd	564,303	0.63
J S Rhoding	507,501	0.57
	31,392,032	35.19

Total number of shares on issue 89,220,890 (as at 10th March 2009)

Included in the shares on issue are 2,425,000 shares which are held in trust under the Employee Share Plan. 1,075,000 of these shares will be vested to the employees if they remain employed by the company on 29th May 2008 and 750,000 shares will be vested to the employees if they remain employed by the company on 29th May 2009. Additional shares were issued under the plan in 2007,200,000 of these shares will be vested to the employees if they remain employed by the company on 17th April 2009 and 200,000 shares will be vested to the employees if they remain employed by the company on 17th April 2010. 100,000 of these shares will be vested to the employees if they remain employed by the company on 10th May 2009 and 100,000 shares will be vested to the employees if they remain employed by the company on 10th May 2010. The debt owed by the employees to the company for the purchase of these shares must be repaid in full before ownership of the shares can be transferred to the employees.

Other information

Atlas South Sea Pearl Limited, incorporated and domiciled in Australia, is a publicly listed company on the Australian Stock Exchange .The company's home exchange in Australia is Perth.

There is currently no on-market buyback of the Company's shares in place.

Company Secretary

Simon Adams, B.Bus, M.Acc, A.C.I.S

SHAREHOLDER INFORMATION

Registered Office
43 York Street
Subiaco
Western Australia 6008

Telephone: +61 8 9380 9444
Facsimile: +61 8 9380 9970

Share Registry
Computershare
Level 2, 45 St George's Terrace
Perth
Western Australia 6000

Telephone: +61 8 9323 2000 or 1300 557 010 (from within Australia)
Facsimile: +61 8 9323 2033