ATLAS
SOUTH SEA PEARL

ABN 32 009 220 053

ASX: ATP

31 August 2010

The Manager
Australian Stock Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX ANNOUNCEMENT
HALF YEAR FINANCIAL RESULTS

The Board of Atlas South Sea Pearl Limited ("Atlas") (ASX: ATP) has filed its half year results for the six months ending 30 June 2010.

This report shows a net profit after tax of $3,290,314 for the first six months of 2010 (six months to 30 June 2009 - $970,603). Earnings before interest, tax, depreciation and adjustments including foreign currency and agricultural asset revaluations was $849,959, a four-fold increase from the half year result in 2009.

The group's operating revenue for the first six months of 2010 is $5.048M (2009 - $3.686M). Pearls sales income ($4.5M) is 67% higher than the same time last year which have resulted from the Company's own grading and distribution efforts. Atlas has established a strong customer base of nearly 30 international buyers from Japan, Hong Kong, Europe and America as it continues to engage with existing and new customers to ensure maximum value is derived from the sale of the primary inventory source.

A tax refund of between $0.9-1.3M resulting from the double taxation of 2007 profits that have been paid in both Australia and Indonesia following an amended assessment by the Indonesian Tax office is still anticipated in either 2010 or 2011. This tax assessment is the subject of an objection in Indonesia and a Mutual Agreement Procedure (MAP) application in Australia and Indonesia, the outcomes of which are expected this year which will result in a refund of the overpaid tax. These have not yet been included in the operating results for the half year.

Finalisation of the purchase of the new pearl farming assets is complete with the exception of some operating license approvals from the Indonesian Government. The upgrade of fixed assets at these new farms and the expansion of production of seeded and hatchery has commenced. These new farm sites will provide the potential increase oyster seeding capacity by 25% in 2011 with the potential to double the total oyster biomass by 2012.

Yours sincerely

STEVE BIRKBECK
Chairman

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ATLAS SOUTH SEA PEARL LIMITED

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

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

30 JUNE 2010

43 York Street, Subiaco, WA 6008 Australia ● PO Box 8015, Subiaco East, WA 6008, Australia
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ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2010

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DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2010

The Directors present the financial report of the consolidated entity, being Atlas South Sea Pearl Limited ("the Company") and its controlled entities for the half year ended 30 June 2010.

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

Name	**Period of Directorship**
Stephen Paul Birkbeck *Chairman*	Director since 15 April 2005 Appointed Chairman 21 December 2009
Ian Mackenzie Murchison, B.Comm, FCA, Dip. Naut. Sc. *Non-Executive Director*	Director since 28 July 2004
Joseph James Uel Taylor, B.Sc. (Biology), Ph.D. *Non-Executive Director*	Director since 13 September 2000 Managing Director from 31 August 2001 to 1 June 2009
Richard Allen Wright, M. Mar. Affairs, B.Sc. (Chemical Engineering) *Managing Director*	Director since 10 March 2009 Appointed Managing Director on 1 June 2009

ACTIVITIES AND REVIEW OF OPERATIONS

The activities of the economic entity are:

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

There has been no significant change in the pearl farming and jewellery distribution activities of the economic entity since the last year-end report.

1. Financial Result

a. Summary of financial results

	Half Year			
	2010 **$**	**2009** **$**	**Change**	**%**
Total revenue from continuing operations	5,048,498	3,686,193	Up	37%
Profit from continuing operations after tax	3,290,314	970,603	Up	239%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)*	849,959	211,632	Up	302%

* EBITDA excludes foreign exchange and Agricultural Asset revaluation movements

b. Explanation of financial results
The operating result was influenced by the following factors:

i. Revenue –
Income from pearl sales for the six months to 30 June 2010 was $4,506,437 (2009 - $2,706,268). An increase in the volume of pearls sold as a result of higher demand has resulted in a 67% increase in pearl sales revenue. Pearl prices are likely to be stable for the balance of the current year but increase on 2011.

Income from jewellery sales for the six months to 30 June 2010 was $395,991 which represents a 14% increase compared to the same period last year.

ii. Costs –

Cost of sales – The unit cost of pearl production has decreased in the first half of 2010. However, because a larger quantity of pearls were sold across a range of pearl grades, thus lowering the average price compared to first half of 2009, the gross profit margin has decreased by 15% for the same period in 2010. Gross profit margin on retail sales has decreased due to higher discounting required to achieve the increase in sales.

Operating costs – The Company has continued to undertake cost efficiency measures and there has been an overall decrease of 9% in operating costs for the first half of 2010 compared to the same time last year. Marketing costs in 2010 are lower than the prior year as a result of undertaking the marketing and distribution of loose pearl sales in-house.

Biological and Agriculture assets – In the six months to 30 June 2010, there was a net gain after tax of $1,656,621 (2009 – loss of $578,998) on the mark to market revaluation of the company's oyster and pearl stocks. Valuation assumptions are consistent with the prior year but a weaker AUD against the JPY has seen an overall increase in oyster inventory values.

c. Net Tangible Assets

The Company's net tangible assets per share were $0.16 as at 30 June 2010 compared to $0.13 as at 31 December 2009.

d. Net Cash flow

Operating cash outflows for the first six months of 2010 were $1,410,852 (2009 – inflow $381,063). Approximately $1.09M of the cash outflow in 2010 is related to the payment of tax assessed as payable by the Indonesian Tax Authorities (ITA) for 2007 which represents a double payment of tax and this is now the subject of an appeal to the ITA in Indonesia and a Mutual Agreement Process between the ITA and the Australian Taxation Office.

2. Pearling Operations

a. Juvenile Oyster Production Results

The juvenile oyster (spat) production at the company's North Bali hatchery during the 2009/10 spawning season was very successful with the quantity of spat that were produced being more than sufficient to meet the Company's expanded production targets for future growth. This result was achieved from a new hatchery facility that was relocated from the Penyabangan site to the Gerokgak site in north Bali.

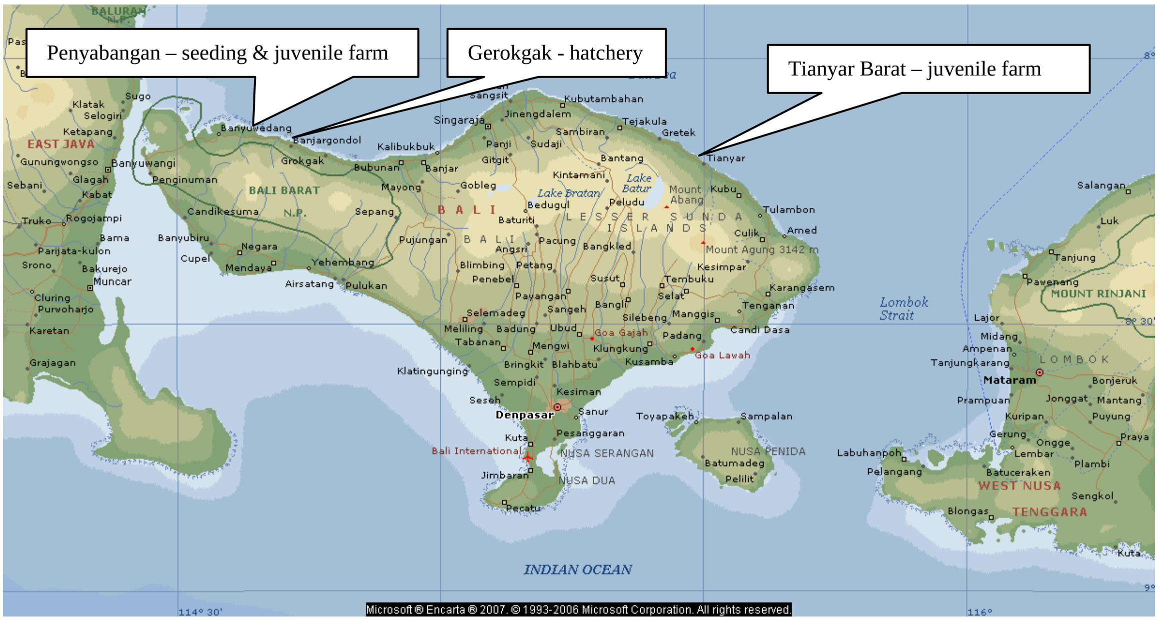
All seeding of virgin (un-operated) oysters is now carried out at Penyabangan where there is a higher control over quality and a lower cost of operations. The oysters are rested after seeding before being shipped to the pearl farm at Alyui Bay in Papua Province. Transportation efficiencies have been achieved through shipping only oysters that are growing pearls

b. Pearl Production Results

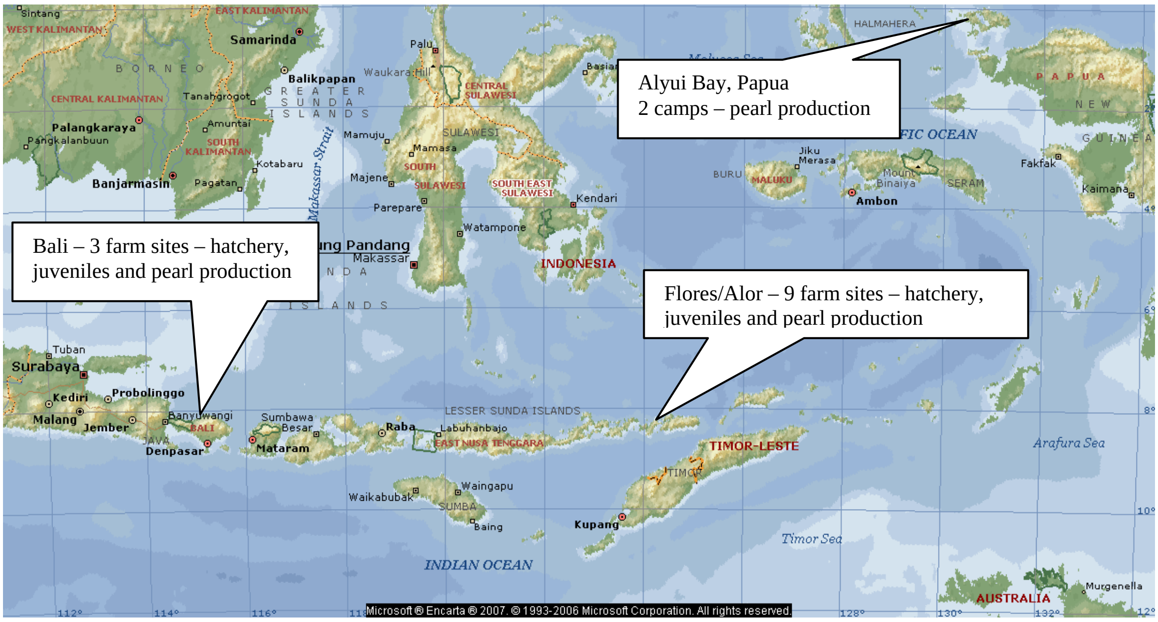
Growth in profitability will be driven by increase in production at the new oyster production sites and also an increase in pearl quality. Expanded production will be realised from the newly acquired pearling operations in Flores and Alor. Quality issues are being addressed through a much stronger control of oyster seeding combined with the implementation of results from the genetics research program that has been under way for over five years. The Company's genetics research program has resulted in an increase in the average size of pearls produced and the decrease in the growing time of a pearl. The focus on quality continues to be a strong driver for improvement in future income growth and profitability.

The Alyui Bay centre is primarily focused on husbandry and harvest of seeded oysters. The site continues to produce high quality pearls and is ideally suited to mature oyster maintenance with its diverse marine ecology, regular water flow and isolation from potential pollution and security threats. Staff costs have been decreased at this site with a reduction in seeding activities.

The Company's acquisition of 9 farm sites and oyster inventories in the region of Flores and Alor in July will result in improved capacity which is expected to increase output by 100% when these farm new sites become fully operational. These sites have a record of producing good oysters and with the introduction of better seeding and farm management techniques, significant increases in productivity and efficiency in pearl production are expected. These new sites spread the geographical risks associated with water quality, environmental impacts, and security. The acquisition is still subject to approval from the foreign investment department of the Indonesian Government (BKPM).



Map showing Bali and Lombok pearl farm/hatchery sites



Map showing all pearl farm/hatchery sites in Indonesia

c. Wholesale Pearl Sales

In 2010, the Company commenced in-house preparation and distribution of its own loose pearls. The pearl grading and preparation division has been established in Indonesia. The Company has recruited an experienced pearl sales manager to develop sales and distribution. This has been very successful with nearly 30 new customers from Japan, China, the USA and Europe now buying directly from Atlas. Sales for the six months to June 2010 have exceeded budget and there was an improvement in prices from the lows seen in 2009. As a consequence of establishing its own sales distribution and preparation, the Company is now well placed to be recognised as a major supplier of South Sea pearls.

d. Jewellery and by-product operations

The company's pearl jewellery operations saw increased activity in the first half of 2010 in a weak retail environment. Sales turnover is higher in the first half of 2010 compared to 2009. By-product sales have been weak but the company is exploring various value add opportunities with the use of by-product.

3. Operating Environments

a. Socio-Political and Security

The Company believes that the socio-political situation in Indonesia remains stable. Close contact with and support of local villages continues and is seen as a strong part of security and long term support for the business. Record tourist numbers continue to travel to Bali.

b. Environmental and Social

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

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

c. Personnel

Employee numbers have increased from last year as a result of structural changes and activity growth. As of 30 June 2010, Atlas South Sea Pearl and the Indonesian subsidiary PT Cendana Indopearls employed 418 permanent employees (June 2009: 403). Recruitment of additional expatriate employees has been carried out to meet future production expansion.

SIGNIFICANT CHANGES

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

DIVIDENDS

No dividend has been paid in the six months to 30 June 2010 (2009:Nil).

DIRECTORS MEETINGS

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

DIRECTORS REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2010

Director	Period	Number of Directors Meetings		Audit Committee Meetings	
		Held	Attended	Held	Attended
S.P. Birkbeck	01/01/10 - 30/06/10	3	3	1	1
I.M. Murchison	01/01/10 - 30/06/10	3	2	1	1
J.J.U. Taylor	01/01/10 - 30/06/10	3	3	1	1
R.A. Wright	01/01/10 - 30/06/10	3	3		

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

DIRECTORS' BENEFITS

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

DIRECTORS SHAREHOLDINGS

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

Current Holdings

	Ordinary Shares	
	Direct	**Indirect**
S.P. Birkbeck	-	13,067,670
I.M. Murchison	-	1,749,999
J.J.U. Taylor	20,000	1,200,000
R.A. Wright	1,375,000	-

AUDITOR'S INDEPENDENCE DECLARATION

The auditors Independence declaration as required by section 307C of the Corporations Act 2001, on page 6 forms part of the directors report for the half year ended 30 June 2010.

ON BEHALF OF THE BOARD

SP BIRKBECK
Chairman
31 August 2010

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

31 August 2010

To the Directors
Atlas South Sea Pearl Limited
43 York Street
Subiaco WA 6008

Dear Sirs,

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

As lead auditor of Atlas South Sea Pearl Limited for the half-year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Glyn O'Brien
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2010

		Half Year	
	Note	**2010**	**2009**
		$	**$**
Revenue from continuing operations	2	5,048,498	3,686,193
Cost of goods sold		(2,557,758)	(1,101,562)
Gross profit		2,490,740	2,584,631
Other income	2	3,518,157	5,381,742
Marketing expenses		(186,376)	(294,544)
Administration expenses		(1,794,081)	(2,482,534)
Finance costs		(86,893)	(79,973)
Research & development		(20,833)	(33,333)
Other expenses		(642,104)	(3,214,901)
Profit before income tax expense	2	**3,278,610**	**1,861,088**
Income tax (expense)/benefit		11,704	(890,485)
Profit for the half year		**3,290,314**	**970,603**
Other comprehensive income/(expenses)			
Exchange differences on translation of foreign operations		168,787	(1,065,256)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(expenses) for the half year , net of tax		168,787	(1,065,256)
Total comprehensive income/(expenses) for the half year		**3,459,101**	**(94,653)**
Profit is attributable to: owners of the Company		**3,290,314**	**970,603**
Total comprehensive income /(expenses)for the half year is attributable to:			
Owners of the Company		**3,459,101**	**(94,653)**
Overall Operations:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	3	2.62	0.93
Diluted earnings per share (cents)	3	2.62	0.93

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	30/06/10 $	31/12/09 $
CURRENT ASSETS			
Cash and cash equivalents		1,065,523	2,508,711
Trade and other receivables		2,086,293	1,451,355
Financial instruments	4	-	12,468
Inventories		4,376,489	2,675,646
Biological assets	5	6,963,626	8,800,587
Total Current Assets		14,491,931	15,448,767
NON-CURRENT ASSETS			
Trade and other receivables		206,200	162,565
Inventories		163,061	103,913
Biological assets	5	9,301,556	5,816,129
Property, plant and equipment		2,231,971	2,195,780
Deferred tax assets		1,640,640	1,040,645
Total Non-Current Assets		13,543,428	9,319,032
Total Assets		28,035,359	24,767,799
CURRENT LIABILITIES			
Trade and other payables		1,058,290	1,440,904
Borrowings		4,652,323	4,271,994
Financial instruments	4	288,860	-
Current tax liabilities		-	680,895
Short-term provisions		67,718	468,035
Total Current Liabilities		6,067,191	6,861,828
NON-CURRENT LIABILITIES			
Trade and other payables		-	24,679
Deferred tax liabilities		1,759,683	1,187,607
Long-term provisions		-	15,281
Total Non-Current Liabilities		1,759,683	1,227,567
Total Liabilities		7,826,874	8,089,395
Net Assets		20,208,485	16,678,404
Equity			
Contributed equity	9	22,143,494	22,073,494
Reserves		(6,020,721)	(6,190,488)
Retained profits		4,085,712	795,398
Total Equity		20,208,485	16,678,404

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2010

	Attributable to owners of Atlas South Sea Pearl Limited				
Consolidated	**Contributed equity**	**Share based payment reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 January 2009	19,250,564	59,085	(5,116,617)	7,978,111	22,171,143
Profit for the half- year	-	-	-	970,603	970,603
Exchanges differences on translation of foreign operations	-	-	(1,065,256)	-	(1,065,256)
Total comprehensive income for the half-year	-	-	(1,065,256)	970,603	(94,653)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	2,822,930	-	-	-	2,822,930
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	5,981	-	-	5,981
	2,822,930	5,981	-	-	2,828,911
Balance at 30 June 2009	**22,073,494**	**65,066**	**(6,181,873)**	**8,948,714**	**24,905,401**
Balance at 1 January 2010	22,073,494	66,020	(6,256,508)	795,398	16,678,404
Profit for the half- year	-	-	-	3,290,314	3,290,314
Exchanges differences on translation of foreign operations	-	-	168,787	-	168,787
Total comprehensive income for the half-year	**-**	**-**	168,787	3,290,314	3,459,101
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	70,000	-	-	-	70,000
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	980	-	-	980
	70,000	980	-	-	70,980
Balance at 30 June 2010	**22,143,494**	**67,000**	**(6,087,721)**	**4,085,712**	**20,208,485**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2010

	Note	Half Year 2010 $	Half Year 2009 $
Cash flows from operating activities			
Proceeds from pearl jewellery and oyster sales		4,591,818	4,664,323
Proceeds from other operating activities		84,137	13,200
Interest paid		(67,842)	(62,675)
Interest received		30,455	11,194
Payments to suppliers and employees		(4,779,915)	(4,473,677)
Income taxes (paid)/received		(1,269,505)	228,698
Net cash provided by/ (used in) operating activities		(1,410,852)	381,063
Cash flows from investing activities			
Payments for property, plant and equipment		(50,214)	(57,566)
Proceeds on disposal of fixed assets		-	-
Net cash provided by/(used in) investing activities		(50,214)	(57,566)
Cash flows from financing activities			
Proceeds from borrowings		8,023,409	3,837,670
Repayment of borrowings		(8,023,409)	(3,837,670)
Proceeds from issue of shares		-	2,822,931
Net cash provided by/(used in) financing activities		-	2,822,931
Net increase/(decrease) in cash and cash equivalents		(1,461,066)	3,146,428
Cash and cash equivalents at the beginning of the half-year		2,508,711	437,464
Effects of exchange rate changes on cash and cash equivalents		17,878	(1,060,996)
Cash and cash equivalents at the end of the half-year		1,065,523	2,522,896

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 30 June 2010 has been prepared in accordance with the *Corporations Act* 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

1.1 Compliance with IFRS

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

1.2 Historical cost convention

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

1.3 Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

1.4 Changes in accounting policy

The Group had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2010. The affected policies and standards are:

AASB 5 Non Current Assets Held for Sale and Discontinued Operations
AASB 101 Revised Presentation of Financial Statements
AASB 107 Statement of Cashflows
AASB 117 Leases
AASB 136 Impairment of assets
AASB 2009-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2009-8 Group Cash Settled Share Based Payment Transactions

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period. There is not expected to be any material impact on the financial report of the consolidated entity of these Standards and Interpretations. In the case of AASB 9 Financial Instruments as the adoption is only mandatory for the 31 December 2013 year end the entity has not yet made an assessment of the impact of these amendments.

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

1.5 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Atlas South Sea Pearl Limited ("Company" or "parent entity") as at 30 June 2010 and the results of its subsidiaries for the year then ended. Atlas South Sea Pearl Ltd and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

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

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

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

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

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

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

1.6 Income tax

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

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

Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

1.7 Inventories

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

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

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

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

1.8 Biological assets

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

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

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

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

The details of the Biological assets that are held by the economic entity as at 30 June 2010 are provided at Note 5.

1.9 Property, Plant and Equipment

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

Property

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

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

Plant and Equipment

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

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

The cost of fixed assets constructed within the economic entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future economic benefit that will flow to the group which can be reliably measured, in which case the value of the asset is increased. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Depreciation
Depreciation on property, plant and equipment is calculated on a straight line basis so as to write off the cost or valuation of property, plant and equipment over their estimated useful lives commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	**Depreciation rate**	
	2010	**2009**
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	20-50%	20-50%

1.10 Leases

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

1.11 Investments and other financial assets

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

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

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

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

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

e) *Recognition and derecognition*
Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus

transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the economic entity has transferred substantially all the risks and rewards of ownership.

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 statement of comprehensive income 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 statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

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 statement of comprehensive income.

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

1.12 Impairment of assets

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

1.13 Foreign currency translations

a) Functional and presentation currency
Items included in the financial statements of each of the subsidiaries within the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Australian dollars, which is Atlas South Sea Pearl Ltd’s functional and presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets

and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

c) Group Companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

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

1.14 Employee benefits

a) *Wages and salaries, annual leave, sick leave and long service leave*

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

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

b) *Share-based payments*

Share-based compensation benefits are provided to employees via the Atlas South Sea Pearl Limited Employee Share Plan. The fair value of shares granted under the Employee Share Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the shares. The fair value at grant date is considered to be the current share price on the date of granting.

1.15 Provisions

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

1.16 Cash and cash equivalents

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

1.17 Revenue recognition

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

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

(a) Sales Revenue comprises of revenue earned from the sale of products or services to entities outside the economic entity. Sales revenue is recognised when the goods are provided or when the fee in respect of services provided is receivable.

(b) Interest Income is recognised as it accrues.

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

1.18 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within four months from our wholesale customer Pearlautore, with agreed upon contractual monthly payments. All other trade receivables are generally due for settlement within 30 days.

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

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

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

1.19 Trade and other payables

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

1.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities , which are not an incremental cost relating to the actual draw down of the facility, are recognised in the income statement. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.21 Dividends

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

1.22 Earnings Per Share

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

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

1.23 Segment Information

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

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

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

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

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

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

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

1.24 Comparative Figures

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

1.25 Critical accounting estimates and judgements

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

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

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

Doubtful debts provision
No provision has been recognised in respect of receivables owed to the Group for the period ended 30 June 2010 or 2009.

Impairment of financial assets
In the financial report, the Group made a significant judgment about the impairment of a number of its financial assets included within other receivables. These relate to loans to employees issued under the employee share plan. The shares issued to employees under the plan are held in trust until the loans are repaid in full. The Group follows the guidance within AASB 139 Financial Instruments: Recognition and Measurement on determining when the financial assets are impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. An impairment loss of $24,250 has been expensed in the statement of comprehensive income in the year.(2009: $168,775)

Critical judgements in applying the entity's accounting policies
Determination of net market value of agricultural and biological assets
Biological assets include pearl oysters, both seeded and unseeded. Agricultural assets include pearls that have been harvested from the oysters which remain unsold. Seeded oysters are measured at their fair value using the net present value of expected future net cash flows attributed to this inventory less the estimated point of sale costs. The fair value of unseeded oysters is determined by reference to market prices for this type of asset in Indonesia. Pearls are measured at their fair value less estimated point of sale costs by reference to market prices for pearls.

Key assumptions that have been used to determine the fair market value of the oysters in 2009 and 2010 are as follows:

	Jun-2010	**Dec-2009**	**Jun-2009**
Average selling price for pearls*	¥6,600/momme	¥6,600/momme	¥6,600/momme
¥ exchange rate	¥76:AUD1.00	¥82:AUD1.00	¥77:AUD1.00
Average pearl size	0.69 momme	0.67 momme	0.55 momme
Proportion of market grade pearls	70%	70%	86%
Discount rate applied to cash flow	20%	20%	20%
Mortality & rejection rates	Historical comparison	Historical comparison	Historical comparison
Average unseeded oyster value	$0.94	$2.80	$1.81

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

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

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

A reference to Dollars or $ means Australian Dollars.

2 Profit for the half year

	Half Year	
	2010	**2009**
	$	**$**
Revenue from continuing operations		
Sales revenue		
Sale of goods	4,902,428	3,059,887
Other revenue		
Interest income	24,033	17,036
Other revenues	122,037	609,270
Total revenue from continuing operations	**5,048,498**	**3,686,193**
Other income		
Change in net market value of agricultural and biological assets		
Change in fair value less point of sale costs of oysters	1,535,618	1,901,131
Gain arising on initial recognition of harvested pearls	831,312	-
	2,366,930	1,901,131
Foreign exchange gains	1,118,284	855,171
Gain on financial instruments	32,943	2,625,440
Gain on sale of non-current assets	-	-
Total other income	**3,518,157**	**5,381,742**

Profit for the half year includes the following items that are unusual because of their nature, size or incidence:

	2010 $	2009 $
Expenses		
Loss arising on initial recognition of harvested pearls	-	1,696,346
Foreign exchange losses	604,145	865,782
Impairment of financial assets	24,250	168,775
Impairment of biological assets	-	447,445
Loss on financial instruments	330,866	1,057,865

3 EARNINGS PER SHARE

	2010	**2009**
	cents	**cents**
Basic earnings/(loss) per share	2.62	0.93
Diluted earnings per share	2.62	0.93
	No.	**No.**
Weighted average number of ordinary share outstanding during the year used for calculation of basic earnings per share	125,487,931	104,014,618
Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earnings per share	125,487,931	104,014,618

4 FINANCIAL INSTRUMENTS

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

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

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

5 BIOLOGICAL ASSETS

	Half Year 2010 $	Half Year 2009 $
Current -		
Oysters	6,923,626	4,378,516
Non-Current -		
Oysters	9,301,556	14,083,762
Total biological assets	16,265,182	18,462,278

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

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

	No.	No.
Held within the economic entities operations:		
Juvenile oysters which are not nucleated	730,985	1,011,559
Nucleated oysters	686,526	758,411
	1,417,511	1,769,970

Sensitivity Analysis –
The mark to market estimation of the value of the biological assets (Oysters) is determined using the net present value of expected future net cash flows attributed to this inventory less the estimated point of sale costs. The primary assumptions used for this estimate are shown in Note 1.25. The following table summarises the potential impact of changes of 10% in the key non-production related variables:

	Selling Price (¥/momme)					
	-10% ¥5,940		No Change ¥6,600		+10% ¥7,260	
Discount rate	**Profit $**	**Equity $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
22%	-2,186,262	-2,186,262	-237,893	-237,893	1,710,476	1,710,476
20%	-1,977,359	-1,977,359	-	-	1,977,359	1,977,359
18%	-1,761,347	-1,761,347	246,009	246,009	2,253,365	2,253,365

	Selling Price (¥/momme)					
	-10% ¥5,940		No Change ¥6,600		+10% ¥7,260	
FX rate	**Profit $**	**Equity $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
¥77.03	-3,651,793	-3,651,793	-293,118	-293,118	-69,171	-69,171
¥75.93	-1,977,359	-1,977,359	-	-	1,977,359	1,977,359
¥68.34	85,345	85,345	2,291,893	2,291,893	4,498,442	4,498,442

6 DIVIDENDS

	Half Year	
	2010	2009
	$	$
Distributions paid – Ordinary Shares		
Fully franked ordinary dividends declared		
	-	-

7 SEGMENT INFORMATION

The segment information provided to the board of Directors for the reportable segments for the half-year ended 30 June 2010 is as follows:

	Wholesale Loose Pearl		Retail Jewellery		Total
	Australia	Indonesia	Australia	Indonesia	
Half-year 2010	$	$	$	$	$
Total segment revenue	4,506,437	2,955,631	937	395,054	7,858,058
Inter-segment revenue	-	(2,955,631)	-	-	(2,955,631)
Revenue from external customers	**4,506,437**	**-**	**937**	**395,054**	**4,902,428**
Adjusted net operating profit/(loss) before income tax	**(1,724,267)**	**557,179**	**605**	**(97,590)**	**(1,264,074)**
Half-year 2009					
Total segment revenue	2,706,268	1,587,184	43,285	376,940	4,713,676
Inter-segment revenue		(1,587,184)	-	(64,358)	(1,651,542)
Revenue from external customers	**2,706,268**	**-**	**43,285**	**312,582**	**3,062,134**
Adjusted net operating profit/(loss) before income tax	**369,980**	**113,750**	**33,815**	**(44,309)**	**473,235**
Total segment assets					
30 June 2010	1,940,913	17,144,858	-	1,030,469	20,116,240
31 December 2009	6,583,332	15,096,729	-	2,037,509	23,717,570

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

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

	Consolidated	
	20010	2009
	$	$
Adjusted net operating profit/(loss) before income tax	(1,264,074)	473,235
Intersegment eliminations	2,091,893	(298,876)
Other	(6,020)	(8,627)
Realised foreign exchange losses	(935,011)	(318,774)
Unrealised foreign exchange gains /(losses)	1,151,227	1,875,741
Interest revenue/(expense)	(47,860)	(47,992)
Impairment expense	(24,250)	(616,220)
Other revenue/(expenses)	(54,228)	595,816
Change in fair value of biological and agricultural assets	2,366,930	204,785
Profit before income tax from continuing operations	**3,278,607**	**1,861,088**

7 SEGMENT INFORMATION (Cont.)

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

8 CONTINGENT ASSETS

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

The Company has lodged an objection with the ITA against this assessment on the basis that it has complied with transfer pricing protocols which have been historically authorised by the ITA and that this revised assessment is inconsistent with these prior rulings. Atlas South Sea Pearl Ltd has sought an amendment of its 2007 tax return through the filing of a Mutual Application Process (MAP) submission with the Australian Tax Office (ATO) to seek relief from paying tax in both jurisdictions under Double Taxation treaties between Australia and Indonesia.

As at the date of this report, there is uncertainty as to the outcome of the objection and this will not be able to be confirmed until the matter is dealt with by the Indonesian and Australian tax authorities. In the event that this 2007 tax assessment is overturned or there is relief provided by the ATO to Atlas South Sea Pearl Ltd in Australia, part or all of the tax expense above could be reversed in the current or future financial periods.

9 CONTRIBUTED EQUITY

	Half Year	
	2010	**2009**
	$	**$**
126,358,097 (2009 – 125,483,097) fully paid ordinary shares	22,143,494	22,073,494

	2010		**2009**	
	No.	**$**	**No.**	**$**
Number of shares on issue at the beginning of the reporting period	125,483,097	22,073,494	89,220,890	19,250,564
Shares issued during the period	875,000	70,000	36,262,207	2,900,976
Share issue costs	-	-	-	(78,046)
Number of shares on issue at the end of the reporting period	126,358,097	22,143,494	125,483,097	22,073,494

10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Company has acquired a pearl farming business which includes oyster inventory, pearl farming assets and water leases. These assets are located on the islands of Flores and Alor in Indonesia. The purchase price of this business was A$594,300. 75% of the purchase price has been paid to the vendor with the balance due upon receipt of outstanding government approvals for the operation of the sites. The Agriculture assets are valued higher than the purchase price based on current valuation methodologies for oysters but the quantum of this will be more accurately determined once management has undertaken further stock assessments and analysis. This business consists of 7 farm sites which will allow Atlas to significantly expand its farming operations over the next 3-5 years.

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

11 SUBSIDIARIES

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

12 RELATED PARTY TRANSACTIONS

There were no fees or charges from related parties for the period to 30 June 2010. Pursuant to an agreement with Stephen Birkbeck, fees of $30,000 were charged to the Company during the half year to 30 June 2009 which represents a consulting fee for marketing advice.

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

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 7 to 24:

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

(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date;

(c) the consolidated entity has included in the notes to the half-year financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

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

Steve Birkbeck

SP BIRKBECK
Chairman

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31 August 2010

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atlas South Pearl Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlas South Pearl Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Atlas South Sea Pearl Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Signed in Perth, Western Australia
Dated this 31st day of August 2010.

ATLAS SOUTH SEA PEARL LIMITED AND ITS CONTROLLED ENTITES

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

FOR THE HALF YEAR ENDED 30 JUNE 2010

1 The reporting period and the previous corresponding period as detailed in this financial statement are 30 June 2010 and 30 June 2009 respectively

		2010	2009	% Change	Up/Down
2	Key Financial Data				
2.1	Revenue [(a)]	5,048,498	3,686,193	37%	Up
2.2	Profit/(loss)from ordinary activities after tax attributable to members [(b)]	3,290,314	970,603	239%	Up
2.3	Net profit/(loss) attributable to members [(b)]	3,290,314	970,603	239%	Up

2.4 Dividends [(c)]

	2010	2009
Interim dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Final Dividend		
Amount per share	-	-
Franking percentage	-	-
Date paid	-	-
Record Date	-	-

Explanation of 2.1 to 2.4

a) Revenue from the sale of pearls has increased 37% as a result of an increase in the volume of pearls sold in the first six months of 2010 compared to the same period in 2009.

b) Net profit has increased due to a higher pearl sales revenue ($1,842,541or 61%) and due to a higher net fair value adjustment of biological assets recognised in the income statement in the first six months of 2010 of $2,366,930, compared to the same period in 2009 ($204,785).

c) No interim dividend for 2010 has been declared in the period.

3 Net Tangible Assets

	Consolidated	
	2010	**2009**
Net tangible assets	$20,208,485	$24,905,401
Ordinary Shares	126,358,097	125,483,097
Net tangible assets per ordinary share	$0.16	$0.20

4 Change in control of entities

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