ATLAS PACIFIC LIMITED ACN 009 220 053
SHAREHOLDER UPDATE No 26 December 2003

There have been encouraging results this year from activities at all of the Company's sites in Indonesia and we are in a good position in terms of pearl production for the future. During 2003, a considerable effort has been put into the improvement of production through the establishment of alternative farm sites. There are signs of improvement in the global economy, especially in Japan and the USA, key markets for the pearling industry, which should help to improve the demand for pearls. This update highlights some of the achievements over the last year and provides some information on the direction for the company into the future. We remain mindful of the risks and uncertainties that are inherent in the pearling industry and so we continue to limit our financial projections to the immediate future.

FINANCIAL

In the previous shareholder update, we provided details of the group's half year financial results to 30th June 2003. Up until that time, we had received revenue of $5.5 million and there was a profit result of $906,643.

Since then, sales resulting from an auction held in August and from privately negotiated sales have increased revenue from pearl sales to $8.8 million as of 30th November 2003. With an additional $0.9 million from other income up to the end of November 2003, the total sales revenue to this date is $9.7 million.

The final profit results for the full year will be released no later than 15th March 2004.

OPERATIONAL

Hatchery

The group has had a very encouraging start to the current hatchery season. The hatcheries at North Bali and Bacan have both had successful spawnings and the growout of these early stage juveniles (spat) is promising. This is still an early phase of the juvenile production season and it is not until the oysters are around six months of age that there can be any level of certainty on survival. However, the numbers of spat produced was significant and there will be further opportunities to carry out more spawnings until March of next year.

Oyster Transportation

The transportation of oysters from North Bali to the pearl production farm at Alyui Bay commenced in October and has been very successful to date. Transportation is now being carried out using the company's new vessel, MV Sahabat, which was commissioned for service in October.

Oyster details

The growout of oysters at North Bali has met our expectations and this has resulted in the company being able to sell oysters which were surplus to requirements.

As at the end of November, there were 641,000 mature oysters located at the Alyui Bay farm, 357,000 of which are nucleated and the remainder are being prepared for nucleation in the 2004. There are a further 420,000 juvenile oysters located at the North Bali and Bacan sites which are aged between 8-14 months.

Our skilled Indonesian technicians continue the task of seeding the group's oysters. This skill is now being transferred on to other Indonesian technicians as the team builds up to cope with larger quantities of oysters.

The final harvest for 2003 is due to be completed by the middle of December. The pearls harvested in the last couple of months and the unsold pearls from prior harvests, will be available for sale in 2004.

The company has had some success in the sale of the mother of pearl (MOP) shell during 2003.

Farm site details

Approval has been granted by the Indonesian authorities and local village for the establishment of a water lease at Penyabangan on the North Bali coast. This lease has been secured so that when the joint venture arrangement at the current farm at Banyupoh in North Bali ceases in 2005, there is a continuity of facilities in this location. The new site is within close proximity of the existing joint venture farm. No significant infrastructure is required at this farm in the short term but it is anticipated that a small hatchery may be constructed there in due course.

An agreement has been negotiated with another Indonesian pearling operation to allow access at the Bacan facility in the N. Maluku province for the next 5 years. PT Cendana Indopearls, Atlas Pacific Ltd's Indonesian subsidiary, has been given access rights and management control in return for a proportion of the juvenile oysters that are produced at the site. This area has been a very successful pearl production area in the past and there is the potential to expand the arrangement to carry out pearl farming there in addition to the production and grow-out of juveniles.

Staff

The group now employs around 350 Indonesian staff and seven Expatriate managers in Indonesia over the three farm sites and two administration offices. The majority of these employees (200) are still based at Alyui Bay. The farms at N. Bali and Bacan are able to employ staff from the local communities.

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OPERATIONAL *continued*

In December 2003, the Managing Director, Joseph Taylor, and his family will be relocating to Bali. This will allow Joseph to maintain a stronger role within the operational side of the business while still being able to effectively communicate with the head office in Perth. He will maintain a corporate relations role within the Group and will travel to Australia as required for this and marketing related purposes.

The company continues to encourage the promotion of Indonesian nationals into more senior management roles within the Indonesian entity. Employees who have gained considerable practical experience at the Alyui Bay farm and those who have shown leadership skills have been placed in senior positions at the other farm sites.

In 2003 we have employed and trained two Australian managers, Karl Pearce and Angie Poole, who have both shown a high degree of commitment and talent. The new trainee farm managers are required to learn the Indonesian language and understand the Indonesian culture as much as possible.

The farm operations at Alyui continue to be headed by Jan Jorgensen who is ably assisted in this role by Jens Knauer. Kate Simpson has performed a very important roving technical management role this year with outstanding success in the areas of hatchery production and growout at Banyupoh and Bacan. Jason Parsons has maintained a strong focus on the maintenance of the mature shell at Alyui Bay and more recently in the establishment of the farm at Bacan. Ryan Arnup has continued to set a high standard of maintenance for all of the machinery on site and in each vessel as the head of the mechanical department. This has included the fit-out of the new vessel which was recently commissioned. All of these managers now have in excess of four years experience with the company. The contribution and loyalty shown by all of our staff to the business is invaluable.

Summary

Atlas Pacific Ltd is well placed to continue as a leading participant in the pearling industry in Indonesia. The changes in operating practices and the expansion of the business in Indonesia that have been effected in 2003 strengthen the capacity of the business. The pearling industry, like many other commodity sector participants, is likely to undergo further rationalisation in the future and Atlas Pacific Ltd has, and continues to prepare for these changes.

I take this opportunity to wish all our shareholders, employees and other stake holders a very merry Christmas and a happy and prosperous New Year.

Wally James

Wally James
Chairman

PEARL INDUSTRY INFORMATION

A snapshot of the global pearl production for 2002 is represented in the charts below.

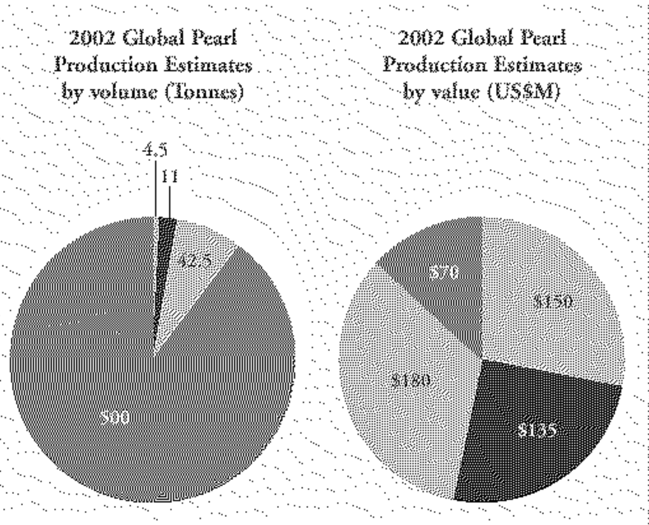
This production information can be compared to the same data for the year 2000.

This information shows that the overall quantity of pearls produced has decreased but the South Sea pearl category has remained relatively static. The value of the South Sea pearls has decreased by approximately 25% (in US$ terms) from 2000 to 2002.

In the November edition of the journal Jewellery News Asia, it was reported that *"world South Sea pearl production is estimated to have increased to about 1,630 kan [6.1 tonnes] in 2003."* [1] Production in Australia, Indonesia and the Phillipines has increased in the last few years, mainly due to expanded production by the major producers in each country. The article from Jewellery News Asia went on to say that *"the increased production is not being viewed as too much of an issue in the market mainly because of renewed buyer confidence in South Sea pearls, seen particularly at recent auctions in Hong Kong and Japan. Confidence is also boosted by increases in sales in the largest market, the United States, where wholesalers reported a pick up of sales to retailers. Prices which were on a downward spiral over the past few years have stabilised and this has helped boost confidence at retail levels."* [1]

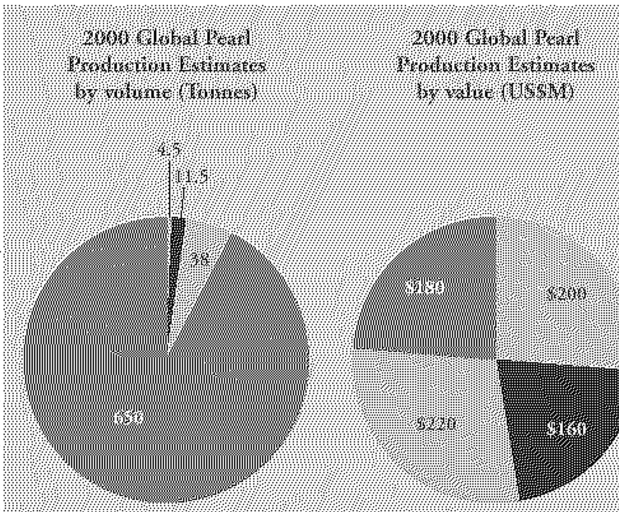
This optimism is encouraging for the future of the pearling industry but there is continued evidence of caution at the wholesale level.

[1] *Jewellery News Asia, November 2003, page 52-53.*



Source – Jewellery News Asia, April 2003, pages 32–33.

Key
- South Sea Pearls
- Black Pearls
- Akoya Pearls
- Chinese Fresh Water Pearls



Source – Jewellery News Asia, March 2001, page 116.

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