



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-28186

ATLAS PACIFIC LIMITED

(Exact Name of Registrant as Specified in its Charter)

WESTERN AUSTRALIA, AUSTRALIA

(Jurisdiction of incorporation or organization)

43 YORK STREET, SUBIACO WESTERN AUSTRALIA 6008

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

None

Name of each exchange on which registered

None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Ordinary Shares of Common Stock, as evidenced by American Depositary Shares* as evidenced by American Depositary Receipts (Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The Company had 87,810,254 Ordinary Shares of Common Stock outstanding as of December 31, 2003.

* Each American Depositary Share represents 20 Ordinary Shares of Common Stock.



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Page 2 of 2

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☒ Item 18 ☐



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Page 1 of 1

TABLE OF CONTENTS

		<u>Page</u>
	<u>Introduction</u>	1
PART I	ITEM 1 <u>Not Required</u>	3
	ITEM 2 <u>Not Required</u>	3
	ITEM 3 <u>Key Information</u>	3
	ITEM 4 <u>Information on the Company</u>	8
	ITEM 5 <u>Operating and Financial Review and Prospects</u>	25
	ITEM 6 <u>Directors, Senior Management and Employees</u>	34
	ITEM 7 <u>Major Shareholders and Related Party Transactions</u>	39
	ITEM 8 <u>Financial Information</u>	40
	ITEM 9 <u>The Offer and Listing</u>	42
	ITEM 10 <u>Additional Information</u>	43
	ITEM 11 <u>Quantitative and Qualitative Disclosures about Market Risk</u>	51
	ITEM 12 <u>Not Required</u>	53
PART II	ITEM 13 <u>Defaults, Dividend Arrearages and Delinquencies</u>	54
	ITEM 14 <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	54
	ITEM 15 <u>Controls and Procedures</u>	54
	ITEM 16A <u>Financial Expert</u>	54
	ITEM 16B <u>Code of Ethics</u>	55
	ITEM 16C <u>Principal Accountant Fees and Services</u>	55
	ITEM 16D <u>Exemptions from Listing Standards for Audit Committees</u>	55
	ITEM 16E <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	55
PART III	ITEM 17 <u>Financial Statements</u>	56
	ITEM 18 <u>Not Required</u>	56
	ITEM 19 <u>Exhibits</u>	56

**INTRODUCTION*****Currency of Presentation and Definitions***

As used herein, except as the context otherwise requires, the term "Company" refers to Atlas Pacific Limited, an Australian corporation and its subsidiaries. The term "ADRs" refers to the American Depositary Receipts of the Company, which evidence ownership of American Depositary Shares ("ADSs") of the Company. Each ADR evidences ownership of a specified number of ADSs and each ADS evidences ownership of 20 ordinary shares of the Company's common stock (the "Shares").

The Company's fiscal year ends on December 31 of each year. References in this document to a particular year are to the fiscal year unless otherwise indicated.

The Company furnishes the Bank of New York, as depositary for its ADSs (the "Depositary"), with annual reports containing audited consolidated financial statements and an opinion thereon by the Company's independent public accountants. Such financial statements have been audited in accordance with Australian auditing standards. The Depositary makes such reports available for inspection by the record holders of ADRs. The Company also furnishes the Depositary with financial statements prepared in accordance with Australian Accounting Standards ("AAS"), which are required to be furnished to shareholders under Australian law. AAS differs from U.S. Generally Accepted Accounting Principles ("US GAAP") in certain material respects. Accordingly, the Company's audited consolidated financial statements include a reconciliation of certain line items to US GAAP - See "Item 17 (Financial Statements - Note 33 to Financial Statements)".

The Company publishes its consolidated financial statements expressed in Australian Dollars. In this document, references to "US dollars" or "US\$" are to the currency of the United States of America and references to "Australian Dollars" or "A\$" or "AUD" are to the currency of Australia. Solely for convenience, this annual report on Form 20-F contains translations of certain Australian Dollar amounts into US Dollars at specified rates. These translations should not be construed as representations that the Australian Dollar amounts actually represent such US Dollar amounts or could have been or could be converted into US Dollars at the rates indicated or any other rates. Unless otherwise indicated, the translation of Australian Dollars into US Dollars has been made at the rate of A\$1.00 = US\$0.7520, which was the Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on December 31, 2003. For information regarding rates of exchange between Australian Dollars and US Dollars for 1999 to the present, see "Item 3. A. Selected Financial Consolidated Data - Exchange Rates."

**Forward-Looking Statements**

This Annual Report contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations rather than historical facts and they are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "believe," "intend," "envision," and similar words or phrases. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Some of the factors that would affect our financial performance, cause actual results to differ from our estimates, or underlie such forward-looking statements, are set forth in various places in this report, including but not limited to "Item 3. D Risk Factors."

These risks include, but are not limited to, the following:

- the economic and socio-political climate in the areas in which the Company operates;
- storms, weather patterns, water pollution or other events which increase the projected mortality rate or decrease the projected quality of the Company's oysters and pearls;
- changes in the worldwide supply and demand for South Sea pearls;
- increases in labor costs in Indonesia and general economic factors in markets where the Company plans to sell its pearls; and
- the exchange rate of Japanese Yen, which is the predominant currency for dealing in pearls, against the AUD and other currencies.



PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Consolidated Financial Data

The selected consolidated financial information set forth below has been derived from the Company's audited financial statements and the notes thereto contained elsewhere herein. Such financial statements have been prepared in accordance with AAS, should be read in conjunction with, and are qualified in their entirety by reference to, the Company's audited consolidated financial statements and notes thereto. The financial results should not be construed as indicative of financial results for subsequent periods. See "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects."


Years Ended December 31,

Income Statement Data	2003⁽¹⁾ (US\$)	2003 (A\$)	2002 (A\$)	2001 (A\$)	2000 (A\$)	1999 (A\$)
Australian Accounting Principles:						
Revenue	7,247,320	9,637,393	11,341,448	11,335,984	7,250,178	5,887,233
Net income (loss) from operations	936,039	1,244,733	3,499,017	4,150,770	2,472,159	1,032,593
Net income (loss) from continuing operations	936,039	1,244,733	3,499,017	4,150,770	2,472,159	1,471,307
Net income (loss)	936,039	1,244,733	3,499,017	4,150,770	2,472,159	309,715
Net income (loss) per share - basic	0.0107	0.0142	0.0423	0.0680	0.0452	0.0204
Net income (loss) per share - diluted	0.0107	0.0142	0.0403	0.0510	0.0327	0.0182
Weighted average number of basic ordinary shares outstanding	87,810,254	87,810,254	82,724,884	61,013,243	54,751,017	50,524,647
Weighted average number of diluted ordinary shares outstanding	87,810,254	87,810,254	87,910,235	88,026,526	88,264,874	72,064,254
U.S. Generally Accepted Accounting Principles:						
Revenue	7,247,320	9,637,393	11,341,448	11,335,984	7,250,178	5,887,233
Amortization of goodwill ⁽²⁾	186,328	247,777	251,941	—	—	—
Gain/(loss) on foreign exchange derivatives ⁽³⁾	588,310	782,327	(6,318)	205,610	—	—
Stock options issued to employees	—	—	(36,400)	(47,250)	—	—
Capitalization of administration costs ⁽⁴⁾	320,689	426,448	487,022	(170,962)	(494,250)	(146,947)
Net income (loss) from continuing operations	2,031,366	2,701,285	4,195,262	4,138,168	1,977,909	162,768
Net income (loss) from operations	2,031,366	2,701,285	4,195,262	4,138,168	1,977,909	162,768
Net income (loss)	2,031,366	2,701,285	4,195,262	4,138,168	1,977,909	162,768
Net income (loss) per share -- basic (before cumulative effect of change in accounting policy)	0.0232	0.0308	0.0507	0.0666	0.0361	0.0032
Net income (loss) per share -- basic (after cumulative effect of change in accounting policy)	0.0232	0.0308	0.0507	0.0678	N/A	N/A
Net income (loss) per share -- diluted (before cumulative effect of change in accounting policy)	0.0232	0.0308	0.0470	0.0542	0.0287	0.0023
Net income (loss) per share -- diluted (after cumulative effect of change in accounting policy)	0.0232	0.0308	0.0470	0.0551	N/A	N/A
Weighted average number of basic ordinary shares outstanding	87,810,254	87,810,254	82,724,884	61,013,243	54,751,017	50,524,647
Weighted average number of diluted ordinary shares outstanding	87,810,254	87,810,254	89,284,659	79,439,026	79,439,026	72,064,254



Years Ended December 31,

Balance Sheet Data	2003 ⁽¹⁾ (US\$)	2003 (A\$)	2002 (A\$)	2001 (A\$)	2000 (A\$)	1999 (A\$)
Australian Accounting Principles:						
Cash and cash equivalents	3,235,042	4,301,918	6,119,808	5,585,608	4,455,056	4,025,885
Total assets	16,688,484	22,192,134	23,715,481	21,164,130	17,144,601	14,540,229
Total current liabilities	669,224	889,926	2,780,309	2,985,647	1,416,206	1,283,993
Long-term debt and capital lease obligations	305	406	—	1,877	3,703,201	3,703,201
Shareholders' equity (excluding minority interests) (AAS)	16,018,955	21,301,802	20,935,172	18,176,606	12,025,194	9,553,035
U.S. Generally Accepted Accounting Principles:						
Goodwill ⁽²⁾	375,788	499,718	251,941	—	—	—
Financial instruments ⁽³⁾	738,178	981,620	199,292	205,610	—	—
Inventory ⁽⁴⁾	(126,718)	(168,508)	(594,956)	(1,081,978)	(911,016)	(419,766)
Cash and cash equivalents	4,222,290	5,614,748	5,976,085	4,709,240	3,544,040	3,606,119
Total assets	17,675,733	23,504,964	23,571,758	20,287,762	16,233,585	14,120,463
Total current liabilities	669,224	889,926	2,780,309	2,985,647	1,416,206	1,283,993
Long-term debt and capital lease obligations	305	406	—	1,877	3,703,201	3,703,201
Shareholders' equity (excluding minority interests) (US GAAP)	17,006,203	22,614,632	20,791,449	17,300,238	11,114,178	9,133,269
Dividends paid per share	.00752	0.0100	0.0400	0.0200	—	—

- (1) U.S. Dollar amounts have been translated at the Noon Buying Rate on December 31, 2003 of A\$1.00 = US\$0.7520. Such translations are provided for information purposes only.
- (2) Under AAS, goodwill relating to the acquisition of a business is written off on a straight line basis over the period during which the benefits of the goodwill are expected to arise which cannot be greater than 20 years. Effective January 1, 2002, goodwill may not be amortized under US GAAP. Consequently, the amount of goodwill on the balance sheet is greater under US GAAP than under AAS and there is an adjustment required to net income on the income statement under US GAAP. See Note 33.2 of "Item 17. Financial Statements."
- (3) US GAAP requires that the loss or gain on forward exchange contracts noted in Note 32 of "Item 17. Financial Statements" be recognized in the income statement and reflected on the balance sheet of the Company. This loss or gain is not reflected on the income statement or the balance sheet under AAS. See Note 33.5 of "Item 17. Financial Statements."
- (4) Under AAS, the Company capitalized expenditures into inventory which were of an administrative nature for the years 2000 and 2001. Under US GAAP, expenditures which are of an administrative nature may not be capitalized into inventory and must be expensed in the period in which incurred. Adjustments to net income and total assets were required under US GAAP in 2001, 2002 and 2003. See Note 33.8 of "Item 17. Financial Statements."

The Company's financial statements have been prepared in accordance with AAS. Certain line items have been reconciled to US GAAP to assist U.S. persons in evaluating such data. The complete reconciliation of such line items is set forth in "Item 17. Financial Statements - Note 33 to Financial Statements."



Exchange Rates

Solely for informational purposes, this annual report contains translations of certain Australian Dollar amounts into or from US dollars at a specified rate. See "Introduction." These translations should not be construed as representations that the Australian Dollar amounts represent the US Dollar amounts indicated, or could be converted into or from US Dollars at the rate indicated. The exchange rate on June 25, 2004 was A\$1.00 = US\$0.06990.

The following table sets forth, for the months indicated, certain information concerning the Noon Buying Rate for Australian Dollars expressed in US Dollars per A\$1.00:

Month Ending	High	Low
December 31, 2003	0.7520	0.7265
January 31, 2004	0.7805	0.7576
February 28, 2004	0.7979	1.7566
March 31, 2004	0.7725	0.7325
April 30, 2004	0.7677	0.7198
May 31, 2004	0.7337	0.6882

The following table sets forth, for the years indicated, certain information concerning the Noon Buying Rate for Australian dollars expressed in US dollars per A\$1.00:

Year Ended December 31,	Average ⁽¹⁾
1999	0.6457
2000	0.5757
2001	0.5117
2002	0.5448
2003	0.6589

(1) Represents the average of the Noon Buying Rates on the last day of each month during the relevant period.

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

The Company's business, financial condition and operating results could be adversely affected by any of the following factors. The risks and uncertainties described below are not the only ones that the Company faces. Additional risks and uncertainties not currently known to the Company's management, or that the Company's management currently thinks are immaterial, may also impair the Company's business operations.

The Company's operations are based in Indonesia, which has been subject to recent economic and socio-political unrest. Some parts of Indonesia have experienced social, ethnic and economic disruption. In November 1999, the Company abandoned its cultivation site in



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Page 1 of 1

Kupang, W. Timor in part due to increasing unrest in the area. The province of West Papua, where some of the Company's water leases are located, is agitating for independence. The Company monitors the socio-political situation closely. In the event of civil unrest, there is an evacuation plan in place to protect the Company's employees. Security personnel are employed to provide protection to employees and the Company's assets to the best of their ability. It is difficult to predict what will occur. If the employees are forced to leave the project as a result of an emergency, the Company does not expect it will be able to salvage any of the oysters or pearls and this will have a material adverse effect on the Company's business, operations and financial condition.

The cultivation process for South Sea pearls requires certain environmental conditions and any change in weather or water conditions could have a material adverse effect on the Company's pearl production. The cultivation process depends on certain environmental factors, including consistently warm sea water temperature, fully saline water conditions, adequate tidal flow to distribute the food supply and availability of phytoplankton food. There are only a few areas in the world that meet such requirements. The water areas encompassed by the Company's water leases present ideal conditions for pearl cultivation. The conditions in these areas, however, are subject to change based on normal weather patterns. The Company has no control over these weather patterns. In 2002, weather patterns caused by *El Niño* adversely affected the Company's ability to raise juvenile oysters. Although the Company established joint operations in Northern Bali and Northern Maluku (Bacan) primarily for the production of juvenile oysters to respond to this problem, the Company anticipates that its rearing of oysters will continue to be affected by natural weather patterns. There can be no assurances that if these weather patterns continue the Company will have access to sources of oysters for the pearl cultivation process or if available, will be available on favorable terms. The failure to maintain an adequate supply of juvenile oysters for nucleation could have a material adverse effect on the Company's pearl cultivation process.

The Company's oysters are sensitive to disease. The Company's oysters are placed in panels and baskets in the sea. Although, the Company's employees continuously clean the oysters, certain foreign organisms can enter the oyster and eat the oyster or cause diseases. The cultivation process for pearls takes approximately two years from the time the oyster is seeded; therefore, the loss of oysters due to disease could have a material adverse effect on the Company's production process and generation of revenue.

The sale of pearls is dependent upon a strong economy. The sale of pearls is sensitive to fluctuations in the global economic cycle. The Company's pearls compete with several other types of jewelry such as precious metals and precious gem stones for consumer disposable income. Unfavorable general economic conditions have an adverse effect on consumer spending for such items, and therefore on the Company's sales.

The price for pearls is subject to fluctuation based on supply and quality. The price that the Company can obtain for its pearls is significantly dependent on the supply of pearls and their quality. There has been an increase in the supply of pearls globally with most of the increase in South Sea pearl production coming from Indonesia and the Philippines and evidence of increased production from Australia. This increase in supply will have an effect on pearl prices but the potential adverse impact of continued increases in supply cannot be determined with any certainty. In addition, although the Company closely monitors its pearl cultivation process, it is



difficult to predict the quality of pearls that will be harvested in any given year. Significant increases in the supply of pearls or decreases in the quality of the Company's pearls could have a material adverse effect on the Company's revenues.

The Company is dependent on a small number of key expatriate managers. The Company's cultivation process is very technical. The Company depends on a small number of key expatriate managers who supervise the cultivation process. Due in part to the remote location of the Company's pearl farms, the Company has limited access to a skilled work force, and the replacement of these managers could be difficult. The loss of the services of any of these individuals could materially and adversely affect the Company's pearl production, business and financial condition.

The Company is exposed to fluctuations in exchange rates. The majority of the revenues the Company derives from the sale of its pearls occurs in Japanese Yen. The Company's revenues are reported, however, in Australian Dollars. Fluctuation in the exchange rate of Japanese Yen to the Australian Dollar could have a material adverse effect on the Company's revenues. The Company's operating expenditures are predominantly denominated in Indonesian Rupiah ("IDR"). Fluctuations in the exchange rate between the IDR and the AUD will have an effect on the operating results of the Company.

The Company is exposed to the volatile inflation rate in Indonesia. Inflation in Indonesia has varied up to 15.13% per annum for the period from 2000 to 2003. The official inflation rate as of April 2004 was 5.95% per annum. In general, inflation increases all of the Company's operating costs in Indonesia, but specifically impacts wages, food and fuel (diesel and benzene). As the Company's revenues are derived mostly from sources outside of Indonesia, the Indonesian inflation rate does not cause a corresponding increase in the Company's revenues. As a result, Indonesia's inflation could have a material adverse effect on the Company's expense structure.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

The Company is incorporated as a public company in Australia and operates under the Corporations Act 2001. The Company operates under an Australian Company Number ("ACN") 009 220 053 and an Australian Business Number ("ABN") 32 009 220 053. The Company is listed on the Australian Stock Exchange ("ASX"), which is governed by the ASX Listing Rules. The Company's domicile is Australia and its registered office and principal place of business is 43 York Street, Subiaco Western Australia 6008 (telephone: +61 8 9380-9444, facsimile: +61 8 9380-9970).

The Company was incorporated on February 28, 1987 as Atlas Pacific Gold N.L. for the purpose of acquiring all of the capital stock in Sharcon, a company that owned options to acquire mineral and precious metal mining tenements. In June 1987, the Company raised A\$5 million through an initial public offering in Australia and, shortly thereafter, listed its shares on the ASX. The Company used the proceeds from this offering to acquire the stock of Sharcon and to explore the existence of gold and other precious and semiprecious metals in mining tenements in Western Australia and New Zealand.



From 1987 through 1988, the Company explored various mining tenements and sought proposals to mine those locations that the Company believed to contain ore deposits. The Company never commenced mining due to the closure of a nearby ore treatment facility, which the Company planned to use to process the ore. Between 1988 and 1993, the Company sold most of its mining interests and investigated other potential business opportunities. The Company did not generate revenue from its mining operations and has disposed of all its mining interests. It no longer pursues mineral exploration activities.

In 1993, the Company invested in the Indonesian pearling project (the "Pearling Project") through its subsidiary Tansim Pty Ltd, with a number of other joint venturers. The Pearling Project operates an oyster hatchery and farm for the purpose of cultivating South Sea pearls. (See "Business Overview - Pearling.") On January 20, 1994, the Company changed its status from a No Liability (NL) company to a company limited by shares and changed its name to Atlas Pacific Limited.

PT Cendana Indopearls ("Cendana"), an Indonesian-approved foreign investment company, owns and operates the Pearling Project. The Company acquired a 75% interest in the Pearling Project by purchasing all of the capital stock of Tansim Pty Ltd, ("Tansim"), an Australian corporation, in June 1993. Tansim purchased the remaining 25% interest in Cendana from the other shareholders in exchange for 5,375,000 Shares and options to purchase an aggregate of 8,062,500 Shares of the Company, in October 1999. Following Indonesian government approval of the transaction, the shares and options were issued on October 14, 1999. During 2002, 7,996,215 of these options were exercised at a price of A\$0.30 each, and on October 14, 2002, the remaining 66,285 options were cancelled.

In March 1999, the Company raised approximately A\$3,703,201 through the issuance of convertible notes at A\$0.15 per note. Each note had a face value of A\$0.15, and an interest rate of 12.50% and was convertible into Shares at the rate of A\$0.15 of notes per Share. The Company issued a total of 24,688,009 convertible notes representing A\$3,703,201. The purpose of the issuance was to provide ongoing working capital, fund new pearling assets and relocate the Company's Indonesian pearling operations from Kupang to Waigeo Island in the Province of West Papua. The majority of these notes, 23,806,942 (A\$3,571,041 face value) were converted into an aggregate of 23,806,942 Shares during 2001 and an additional 731,080 (A\$109,662 face value) notes were converted into an aggregate of 731,080 Shares during 2002. In March 2002, the remaining 149,987 (A\$22,498 face value) of notes were redeemed by the Company for their face value.

The Company's principal focus remains on pearl production in Indonesia. As of December 31, 2003, 62% (A\$13.7 million) of the Company's total assets were employed in Indonesia, principally in oyster stocks, plant and equipment. The remaining 38% of the Company's assets are made up of pearls, cash and receivables, predominantly in Australia.

During the last and current fiscal years, the Company did not receive an indication of any public takeover offers by third parties in respect of the Company's Shares or by the Company in respect of other companies' shares.

**B. Business Overview - Pearling****Introduction**

A pearl is a lustrous concretion produced by certain bivalve mollusks including mussels and oysters. Natural pearls consist almost entirely of nacre, which is the substance forming the inner layers of the mollusk shells. Nacre, also referred to as mother-of-pearl, is composed primarily of aragonite crystals. The pearl is an abnormal growth resulting from the invasion of the body of the mollusk by foreign matter, or "nucleus". The foreign body acts as an irritant in the mollusk and becomes coated with layer upon layer of nacreous material. Approximately 30% of cultivated mollusks reject the nucleus and do not produce pearls. Both marine and freshwater mollusks produce pearls, and the most commonly used mollusk for the production of pearls is the oyster.

There are several types of pearls cultivated around the world. The four major categories of cultured pearls are (1) Akoya pearls produced in the seas around China and Japan, (2) freshwater pearls produced mainly in China, (3) South Sea pearls produced primarily in Australia, Indonesia, Philippines, and Myanmar, and (4) black pearls produced in Tahiti and several other Pacific Islands. Prices of pearls vary enormously. The retail value of a good quality 8 millimeter Akoya necklace with approximately 55 pearls could be A\$2,000 (US\$1,023), whereas the retail price of a good quality South Sea pearl necklace of approximately 25 pearls could be several hundred thousand dollars. The same size necklaces of inferior quality pearls could retail for as little as US\$100 and US\$1,000, respectively.

There are several factors which determine the value of a pearl. These factors include size, shape, color, skin quality and luster. As the size of a pearl increases, its value increases exponentially. With respect to shape, the most valuable pearls are spherical. Half-round, button and drop shapes are less valuable than spherical pearls, but are still considered to be quality pearls. Circles and irregular shaped pearls, or baroques, are the least valuable shapes of pearls.

Pearl coloration varies widely, with the most valuable shade being gold. South Sea pearls may be silver, cream, yellow or gold. The *Pinctada maxima* oyster, which the Company uses, produces pearls colored from silver through to gold. There are two varieties of this oyster. The silver lip variety produces the valuable silver-white pearl and the gold lip variety produces cream, yellow and highly sought after gold colored pearls. Another species of oyster, *Pinctada margerifera*, produces pearls which are referred to as black pearls, ranging in color from purple through green and black/gray. The Company does not use the *Pinctada margerifera* variety of oyster for pearl production.

The final significant determinant of pearl value is skin quality and luster. The less blemishes and "pit" marks the greater the value of the pearl. Luster refers to the appearance of a pearl's surface judged by its brilliance and ability to reflect light. The greater the luster, the more valuable the pearl.

Pearl Cultivation

Pearls have been cultured successfully since 1920 using a process developed in Japan in which the oysters are "nucleated" or "seeded." In this process, a nucleus is introduced into the oyster



and the oyster then deposits layers of nacre around the bead. This process takes approximately two years for South Sea pearls. Today, cultured South Sea pearls are not easily distinguished from naturally occurring pearls, which are extremely rare.

Pearl cultivation traditionally relied on the availability of wild oysters, or shell, which were nucleated to form pearls. However, hatchery-reared oysters have become an increasingly popular means of cultivating pearls. By using hatchery-reared oysters, pearl farmers are able to control oyster breeding to improve the quality of the oysters that will be nucleated. This, in turn, produces higher quality pearls.

Pearls have been successfully cultivated in Japan, China, Tahiti, the Cook Islands, Myanmar, Australia, the Philippines and Indonesia. Ideal conditions for the *Pinctada maxima* oyster, which produces the South Sea pearl, exist in certain select regions of the world's equatorial and tropical waters located 20 degrees north and south of the equator between Myanmar in the west and Northern Australia and the Indonesian province of West Papua (formerly Irian Jaya) in the east. Indonesia lies in the middle of this region. These regions provide the following natural environmental factors necessary to cultivate pearls: the availability of phytoplankton food upon which the filter feeding oysters rely; adequate tidal flow to distribute the supply of food; warmer sea water temperatures without abrupt fluctuations of more than a few degrees and fully saline, as opposed to brackish, water conditions.

The South Sea Pearl Industry

Australia is the largest and most experienced producer of South Sea pearls. The bulk of Australian pearls are produced in Western Australia. Western Australia manages the industry on a quota system with a total permitted annual catch of 520,000 wild shell shared among fourteen pearl oyster licenses. The quota is not divided equally, and the two largest pearling operators control over 50% of the quota. Family groups or small partnerships tightly control the licenses. The authorities in Western Australia have issued a license to only one new participant since 1989.

Although the technology is available to introduce hatchery programs in Western Australia, high production costs, particularly labor costs, have limited the development of such programs. In addition, Western Australia recently extended its quota system to embrace hatchery-reared oysters in addition to wild shell. Because of the fixed quota system and restrictive hatchery policy, expansion opportunities for Australian pearl producers are limited. The only ways to increase profitability are through improvement in pearl quality or reduction in costs of production. Thus, the Australian pearling industry is virtually closed to new participants unless they are prepared to acquire an existing operation.

By comparison, the pearling industry in Indonesia is relatively unregulated. The Indonesian government has issued South Sea pearling licenses to approximately 97 companies. Through natural attrition of businesses the number of functioning pearl businesses in Indonesia has dropped to around 48, most of which are small concerns. Due to a lesser abundance of wild shell and lower labor costs, there is much heavier emphasis on breeding programs in Indonesia than in Australia.



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Page 1 of 1

Despite temporary setbacks, production in Indonesia has grown substantially in the last 10 years. The value of such production is less than that of Australia due to the lower quality and size of the pearls. The Company believes that Indonesia could overtake Australia as the world's major producer of silver and gold South Sea pearls because the Indonesian pearling industry is significantly less regulated than in Australia and technological improvements in the Indonesian cultivation process are taking place.

The Company also believes that the pearling conditions in Indonesia offer some advantages to those in Australia. The waters are warmer for a longer period of time, which facilitates a longer growing season for the pearls. This can result in larger, more valuable pearls. There is also less variation in water temperature throughout the year, which may produce healthier pearl oysters.

The Indonesian government continues to encourage foreign investment and has established a favorable investment vehicle. This investment structure, known as a "PMA" company, offers investors, among other things, tax concessions and remissions on duty of essential imports. Likewise, Indonesia does not levy sales tax on exported products, which includes the Company's pearls. In general there has been an improvement in the Indonesian security situation. In particular during Bali's recovery from the tragic events of October 2002 there has been a sense of goodwill towards foreign companies that have continued to maintain a presence in the province.

There can be no assurances, however, that the Indonesian pearl production will continue to grow to the point where it will overtake Australia as the world's largest producer of South Sea pearls or that the Indonesian government will maintain favorable investment vehicles for foreign investments.

The Pearling Project

General

In 1990, a group of joint venture parties, of which Tansim was a party, commissioned an extensive marine review and survey to locate the best possible pearl farm site within a narrow belt of equatorial waters centered on the Indonesian Islands and Northern Australia. Based on the results of such study, they chose a location for the pearl farm at Lelindo Point near the town of Kupang in West Timor, Indonesia in 1991 and commenced construction in 1992. On October 16, 1992, Ardindo Nusa, on behalf of the Joint Venture, entered into a lease for five hectares (12.3 acres) of land at Lelindo Point. The Joint Venture constructed a hatchery, laboratory, administrative offices, workshop, store room and accommodations for expatriate managers on such land. The Venturers began commercial production of oysters at the hatchery in 1993.

On September 4, 1994, the Joint Venture entered into an additional lease for 0.3 hectares (0.74 acres) of land located on Kambing Island overlooking the nursery, (collectively, with the Lelindo Point land lease, "Kupang"). In addition, on September 8, 1995, Cendana received Presidential approval for its water leases. These waters were used as a nursery for young oysters. See "Item 4.D Information on the Company – Property, Plant and Equipment."

During 1998, the Kupang area became a less desirable location for the Company's operations due to an increase in local industry which caused some pollution and because of increased



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Page 1 of 1

security threats. The Company began to develop facilities at Waigeo Island, in the province of West Papua. By the end of January 1999, the Company had reduced its operations at the Kupang facility to hatchery and grow-out facilities only. The majority of the nucleated oysters were successfully transported to the Company's new pearl farm at Waigeo Island during 1999. During November 1999, the Company decided to close down the Kupang facility and concentrate its resources on its pearl farming activities at the Company's newer facility in West Papua. Land-based industrial development near the Kupang facility, an increased number of ships traveling past the farm leases and pearl farm security issues all contributed to reducing the attractiveness of the Kupang site in West Timor. In addition, the influx of militia from East Timor following the deployment of UN Interfet forces in September seriously compromised the safety of the Kupang-based personnel. In December 1999, the Company withdrew all of its personnel and pearling assets from Kupang, including the remaining oysters, which were all relocated to West Papua. By December 2000, the Company finalized negotiations with an Indonesian company for the sub-lease of the land, buildings and water leases comprising the Kupang facility for a period of five years.

During 1997, Cendana entered into water leases for approximately 2,500 hectares at Alyui Bay, Waigeo Island, West Papua (formerly known as Irian Jaya) in northern Indonesia. Cendana also entered into a land lease for five hectares near these water leases. The leases are for 25 years and expire in September 30, 2022. The Company developed the site as a pearl farm and hatchery and began relocating nucleated oysters to this site in 1997. See "Item 4.D Information on the Company - Property, Plant and Equipment."

Alyui Bay proved to be a successful pearl farming site. The Company commenced commercial pearl harvests at this site in 1999, with an excellent quality of pearls being produced. Significant infrastructure was developed at Alyui Bay including three accommodation camps, a modern hatchery, engineering workshop, fuel storage, operating shed and boat building facilities. The farm accesses some of its labor force from a nearby village while in excess of 150 staff are accommodated at the farm camps in fully equipped facilities.

During 2002, the adverse impact of the *El Nino* climatic phenomenon on the production of juvenile oysters at Alyui Bay required the Company to explore opportunities to source oysters elsewhere. In July 2002, the Company entered into an arrangement with an Indonesian company called PT Horiko Abadi ("Abadi") which allowed it to have access to a hatchery and associated sea leases at a location called Banyupoh on the Indonesian island of Bali. The Company paid A\$90,000 to Abadi for access to this facility for a period of three (3) years. Abadi remains the owner of the land and water leases, but the Company has a right to operate from this site and share the outputs (juvenile oysters) from this operation in the ratio of 30% to Abadi and 70% for the Company's Indonesian subsidiary. The Company is required to contribute 70% of the ongoing operating costs of this facility which are approximately A\$15,000 per month. Equipment from the original Kupang hatchery was re-commissioned for use at this facility at minimal cost. A technological breakthrough in September 2002 saw production at Banyupoh fast-tracked when the Company successfully transferred live larvae from Alyui Bay to the newly upgraded facility. These larvae have been successfully grown into healthy juvenile oysters in the waters adjacent to the Banyupoh hatchery.

In addition to the joint operation at Banyupoh, the Company leased an independent juvenile production and grow-out site in Northern Bali near the village of Penyabangan in December



2003. The Company entered into a 30-year lease in relation to 0.2 hectares of land and one hectare of ocean with the local authorities with payments of approximately A\$15,000 paid up front and A\$200 payable per month for the term of the lease. The Company has the right to construct buildings on the land and use the ocean for the production and rearing of pearl oysters. A low cost hatchery centre and support centre for the Company's boat maintenance/building and support activities will be developed during 2004 and 2005.

Successful spawnings using specially selected brood stock have resulted in commercial batches of juvenile oysters being produced. Apart from the obvious benefit of providing a viable alternative source of pearl oysters to the main pearling center of Alyui Bay, this new venture, with its close proximity to Denpasar, its ready and available workforce, and its cheaper infrastructure costs, has great potential to reduce the Company's cost of juvenile oyster production.

During 2003, the Company entered into a second joint production arrangement for juvenile oysters with an Indonesian company called Cahaya Cemerlang ("Cemerlang"). Cemerlang granted the Company shared access to leases and facilities which consist of over 100 hectares of ocean leases and two camps covering a combined area of four hectares which are located around Bacan Island in the North Maluku province of Indonesia. In return for access to these facilities, the Company must provide Cemerlang with a share of juvenile production from that site. This share is calculated on the basis of a 50:50 split if the juveniles that are produced are taken by Cemerlang from this facility before the oysters reach 12 months of age or a split of 30% to Cemerlang and 70% to the Company if the oysters are taken from this site after they turn 12 months of age. During 2003 over 400,000 juvenile oysters were successfully reared. The Company's share of this production is over 200,000 juvenile oysters, some of which have already been transferred to Alyui Bay. The joint arrangement is for five years, and the Company has an option to extend the term thereafter for five (5) years on similar terms. In addition, there is considerable opportunity for collaborative work with Cemerlang in other areas such as pearl production.

In addition to procuring a number of sources for juvenile oysters, the Company has transformed the Alyui Bay project from a fully integrated operation covering all the pearl production stages from hatchery to harvest to a dedicated pearling centre concentrating on seeding best quality mature pearl oysters. Specialization at this unique location is already delivering an improved result in terms of productivity (seeding rates are higher than any prior year) and post-seeding results with a higher retention rate of nuclei being experienced than in prior periods. Many of the non-essential support tasks such as boat building and long-line manufacture have been transferred to the lower cost centers of Bali and Bacan. The Alyui Bay project now has two sites for seeding and harvesting of pearls and modification of the existing hatchery will allow for a third in 2004.

The Company monitors the socio-political situation in Indonesia closely. Unrest in Kupang was one of the reasons for the closure of the Kupang facility and the Company's decision to transfer all resources to the Waigeo Island site. Indonesia continues to experience social, ethnic and economic disruption. The province of West Papua where the Company's pearling leases are located is agitating for independence. It is difficult to predict how these forces will influence the Pearling Project.



The Company attempts to manage this issue by maintaining good relations with employees, nearby village communities, regional and provincial authorities and the community at large. In general, security in Indonesia improved during 2003 when compared to 2002. Bali in particular is slowly recovering from the traumatic events of October 2002 and there is a palpable sense of goodwill towards foreign companies that have continued to maintain a presence in the province. Elsewhere in Indonesia the situation is largely unchanged. The Company continues to work hard in the critical areas of government liaison, community relations and security. The Company is proud of the success it has had in improving the access of local communities to facilities such as medical care, education, transportation and better general living standards.

In the event civil unrest threatens the Company's farms at Waigeo Island or North Bali, there is an evacuation plan in place to protect the expatriate and Indonesian national employees. If the expatriates are forced to leave, the Company does not expect that any of the Pearling Project could be salvaged.

Oyster Growth and Pearl Cultivation

Traditionally, pearl cultivation has relied upon the availability of wild shell. The Pearling Project, however, breeds oysters at its various hatchery facilities, in which oysters are grown to cultivate pearls. By using hatchery-reared oysters instead of wild shell, the project scientists are able to control breeding to improve the overall health and quality of the oysters. Only the best oysters are selected for cultivation, which in turn produces higher quality pearls.

The cultivation of pearls is a long and labor intensive process which starts with the spawning of adult oysters in the summer months. Approximately two dozen adult oysters are placed in tanks in the hatchery where they spawn to produce oyster larvae. The larvae remain in the hatchery tanks where they swim and feed on algae. After approximately three weeks, the larvae stop swimming and settle on netting material located in the tank. The larvae attach themselves to the nets and continue to grow and feed on increasing amounts of algae. After about one month the larvae are large enough to be seen with the naked eye and mature enough to be moved out of the hatchery. The netting on which they have been growing is placed in a protective mesh and moved to the nursery in the open waters. The waters are rich in nutrients so that the juvenile oysters, or "spat," are able to grow quickly. The netting is suspended from "long lines" strung between floats in the water. The spat are left in these net structures for approximately three to four months. As the spat continue to grow on the netting, the nursery workers start to thin out the spat and transfer them from the netting when they are large enough to be placed in "28 pocket panels." These panels consist of a metal frame covered in netting that has been divided into 28 separate pockets. These panels are moved out of the nursery area to various locations of the open-water pearl farms where the spat continue to grow. By placing the spat in different locations, the Company is able to reduce the risk of losing an entire crop due to the presence of adverse conditions in any one area.

After approximately a year to fifteen months, the spat, now shell, are too large for the 28 pocket panels and are placed into larger "eight pocket panels." The shell remain in the eight pocket panels until they are ready to be nucleated at 21-24 months of age.

When the shell are ready to be nucleated, they are brought to an operations room. Technicians then perform the exacting surgical procedure of placing a nucleus in the oyster. The first step



involves opening the oyster so that a nucleus can be implanted. This is accomplished by a procedure referred to as "pegging the shell." Workers place wedge shaped pegs in the shells as they open and close during their normal feeding process. By opening the oysters in this manner instead of forcing them open, the strong muscle which holds the shell together is not torn, which is fatal to an oyster. After the oyster has been opened to a certain width, the oyster is ready for surgery.

The oyster is placed on an operating table where technicians carefully insert a nucleus composed of a bead made from the shell of a freshwater mussel into the oyster. In addition, they insert a small piece of nacreous tissue, known as saibo tissue, from a "donor oyster." Nacreous producing tissue is naturally found only on the outer lip of the oyster. Therefore, this tissue must also be inserted at the same location as the nucleus in order to produce a pearl. Approximately one out of every 20 oysters is used as a donor from which the nacreous producing tissue is taken.

After the oysters have been nucleated, they are placed in baskets and returned to the ocean where they are hung from the long lines. From the time of nucleation, it takes approximately two years to develop a pearl of 10 to 12 millimeters in diameter. Throughout the entire process, workers continuously clean the shell, the panels, baskets and the long lines because naturally occurring marine growth will compete with the oysters for food. In addition, foreign organisms can enter the oysters and either eat the oysters or cause disease. Finally, under normal conditions, approximately 30% of the oysters will reject the nucleus and an additional 10% to 20% die. The oysters are x-rayed approximately eight months after being nucleated to determine which ones have rejected the nucleus. Any shell which reject the nucleus can be re-nucleated. Sometimes the oyster will reject the nucleus but the saibo tissue is retained and a pearl forms around this. A pearl formed in this manner is called a keshi pearl. This is a "seedless" pearl and it will usually have a slightly irregular shape.

As indicated above, the environment has enormous influence over the success of pearling. Successful pearling requires careful consideration of environmental issues and the Company strives to ensure that its activities have a minimal impact on the environment. The Company has procedures in place to mitigate any damage to the environment in the event of an accidental fuel spillage and it treats all waste in an environmentally friendly manner. It adheres strictly to the guidelines established in the environmental report it submitted to the Indonesian Authorities in 2000 as part of its application to obtain a permanent operating license.

Towards the end of 2001, the Alyui Bay site came under the influence of *El Niño*, which had a dramatic influence on the agricultural sector in Australia and parts of South East Asia. The production of juvenile oysters at Alyui Bay, the lifeblood of the Company's pearling operation, was severely curtailed by this event. The Company took immediate action and was able to source commercial quantities of juvenile pearl oysters through an arrangement with a third party hatchery.

By mid-2002, the *El Niño* effect was being felt by a number of pearl producers throughout Indonesia and, as 2002 progressed, it became clear that the unfavorable environmental conditions were not going to be short-lived. Very few juvenile oysters that were the progeny of the Alyui hatchery were successfully reared to maturity during 2002. The Company secured oysters for the 2003 operating season through a third-party hatchery arrangement, the purchase of mature oysters from other Indonesian pearl farms and the development of share-farming arrangements.



The hatchery arrangement was with Cemerlang pursuant to which the Company sent one of its expatriate technical officers to the Cemerlang hatchery facility at Togian, N Sulawesi in return for 50% of the progeny from this hatchery. The share farming arrangements were entered into with an Indonesian pearl farmer called Mr. Analau. Under this arrangement, Mr. Analau provided 100,000 mature oysters that were seeded by the Company and farmed through to harvest, and the proceeds from the sale of the resulting pearls are to be divided between the Company and the oyster supplier in equal portions. Although the Company believes that *El Niño* conditions diminished as 2003 progressed, the Company will continue to take steps to reduce the risks to future production as a result of insufficient juvenile oysters being available.

Pearl Sales and Revenue

The Company completed its first pearl harvest in 1995. Harvests of commercial size commenced in 1997. The majority of the Company's pearls are sold at auctions held by Pearlautore International Pty Ltd in Sydney. Pearlautore International receives a commission of between 5% and 25% for cleaning, grading, valuing and selling the Company's product. The Company has appointed Pearlautore International as the exclusive valuer and distributor of its South Sea pearls until December 31, 2005, which agreement renews automatically for two year terms unless terminated by either of the parties. Pearls that are not sold at auction are offered to buyers and sold under private treaty arrangements. Pearls are generally harvested during June/July and November/December. Pearls that are harvested between November and December are offered for sale in the following year.

Although the Company distributes all of its pearls through Pearlautore International, a variety of wholesale customers from many geographical locations purchase the Company's pearls. Therefore, the Company does not rely on a single customer to purchase all of its pearls.

Pearls are classified into two categories. "Sellable" goods are made up of higher quality pearls in sizes of 9 mm in diameter or greater and are represented in quality by grades A, B and C1. "Commercial" goods, although still of value, are made up of lower quality pearls and are a combination of grade C2 and below and all pearls under 9 mm in diameter. The vast majority (89% by value and 68% by weight in 2003) of pearls sold by the Company are "sellable" goods.

During 2000, the Company commenced sales of oyster meat and mother of pearl oyster shell. The Company has experienced difficulty establishing strong markets for these products. Logistical issues have limited the processing of pearl oyster meat but the demand for mother of pearl (MOP) increased in 2003. The Company expects to sell more MOP in 2004 with a higher demand for the product. The Company also intends to establish an MOP jewelry brand that it will use to market wholesale jewelry manufactured in Indonesia, which will be sold in Australia and elsewhere as clients can be established.

Competition and Markets

Competition in the South Sea pearling industry has become more intense. The Company competes with other South Sea pearl farmers in Australia, Indonesia, the Philippines and other Southeastern Asian regions. Many of these pearlers have significantly greater financial resources and experience, and are better known than the Company. To a limited degree, the Company also competes with producers of less expensive types of pearls such as the Akoya, freshwater and



black pearls produced in Japan, China and the South Pacific respectively. The Company also competes for consumer disposable jewelry dollars with producers of other types of gems such as diamonds, other precious stones and precious metals such as gold. Public demand for fine jewelry, including South Sea pearls, is also influenced by general economic conditions.

During 2003, an increase in supply of pearls globally had an adverse effect on the market price of South Sea pearls. Most of the increase in South Sea pearl production has come from Indonesia and the Philippines although there is evidence of increased production from Australia also. South Sea pearls continue to make up a relatively small proportion (<1%) of total global pearl production (including black pearls, Akoya pearls and fresh water pearls) by weight but a significant amount by value (approximately 30%).

The increase in supply has lead to a change in distribution methods within the pearl industry. Although the auction system has been relied upon for the sale of pearls in the past, this system has now been complimented with a value adding process where smaller quantities of more discrete pearl types and grades are sold through private negotiation. The sales that result from this marketing can attract a longer trade term but this is offset by higher margins. Only 5% of goods were sold as value added product in 2003, but this is expected to increase to around 30% in 2004. The changes that are being experienced in the pearling industry are not dissimilar to those experienced in other commodity based industries. The Company cannot predict future demand nor how great an effect increases in the supply of South Sea pearls will have on the market price for such pearls. The pearling industry and the marketing and distribution arrangements for this product are currently undergoing significant change which is likely to result in a rationalization and restructuring of producers. We believe that the Company, with its focus being in Indonesia, is well positioned to benefit from any change.

Up until the last decade, approximately 90% of Australia's South Sea pearl production was sold in Japan. This amount has been reduced as the demand for such pearls has increased in the emerging markets of Hong Kong, South Korea, Singapore, Taiwan, Europe and North America. Sales of South Sea pearls are primarily made to the gem jewelry trade.

The Company offers its pearls in all the major world markets without placing too much reliance on any one geographic market. The Company's principal markets are Japan, Hong Kong, Europe and North America.

Foreign Investment Regulations in Indonesia

In Indonesia, all proposed foreign investment and expansion projects require the prior approval of the BKPM, Indonesia's equivalent of a foreign investment review board. A company may seek such approval by filing an investment plan with the BKPM, which contains information regarding the Company's share capital, loan capital, technical assistance agreements, and proposed joint venture agreements. Under previous laws and regulations, the BKPM generally required a foreign promoter of such a project to include a local joint-venture partner.

In July 1993, the Company sought approval from the BKPM for participation by foreign investors in the Pearling Project. A Joint Venture Agreement and an application to form Cendana as an approved foreign investment company, or PMA company, was lodged with the BKPM. These agreements were filed in December 1993. Following their approval in 1994, Cendana filed its Articles of Association with the Indonesian Ministry of Justice, which were approved in December 1994.



The laws and regulations applicable to PMA companies have, at frequent intervals since 1986, progressively relaxed the restrictions that were imposed by the Indonesian Law on Foreign Capital Investment of 1967. These reform packages were intended to encourage foreign investment in Indonesia and to boost exports. In 1999, the BKPM granted permission for the Indonesian company, Cendana, to become a fully foreign-owned company.

Foreign Trade Regulations in Indonesia

In general, Indonesian government policy protects local interests. In 1990, however, the government implemented certain reforms aimed at facilitating the flow of imports and exports into and out of Indonesia. With respect to imports, the deregulation plan included the replacement of non-tariff barriers into Indonesia with tariffs.

There are no restrictions on the export of pearls from Indonesia and no export tax is payable. Indonesia, however, does impose a provincial "retribution tax," which is applicable to the export of pearls. These payments amount to approximately 1.5% of the export value of pearls.

Indonesia has no exchange controls; therefore, foreigners are able to move funds freely in and out of the country through accounts denominated in local or foreign currency.

Government Regulation

Australia

The activities of the Company are subject to numerous laws and regulations, including those described herein.

The Australian Corporations and Securities Legislation ("ACSL") is the main body of law governing companies incorporated in Australia, such as the Company. The Australian Securities and Investments Commission is an Australian government instrumentality that administratively enforces the ACSL. The ACSL covers matters such as directors' duties and responsibilities, preparation of accounts, auditor control, issue and transfer of shares, control of shareholders' meetings, rights of minority interests, amendments to capital structure, preparation and filing of public documents such as annual reports, changes in directors and changes to capital.

The Australian Stock Exchange imposes listing rules on all listed companies, such as the Company. The rules cover such issues as immediate notification to the market of relevant information, periodic financial reporting and the prior approval of shareholder reports by the Australian Stock Exchange.

The Company believes that it is in material compliance with the foregoing Australian laws and regulations and with the rules of the Australian Stock Exchange.



Indonesia

Indonesian laws require Cendana to obtain certain tax identification numbers and miscellaneous occupational licenses. Cendana has obtained all licenses from the BKPM, including its permanent operating license for the now-dormant Kupang site and a permanent operating license for the Waigeo and Bali sites, which were granted during 2000 and 2003 respectively. The Bacan facility is operated under the license of Cemerlang by expatriate and Indonesian managers employed by Cendana. The BKPM also requires Cendana to have its accounts audited annually by an Indonesian public accountant. Cendana complies with this requirement. Indonesia maintains other laws relating to corporate governance that are similar to laws of other jurisdictions. The Company believes that Cendana is in material compliance with these laws and with other applicable Indonesian laws and regulations. Environmental approvals are issued with the operating permits for each site. These require regular reporting to authorities in relation to fuel usage for energy generation, compliance with waste emissions and any incidents that may have caused harm to the local environment. The Company is in full compliance with its environmental reporting obligations.

United States of America

Because the Company has a registered its Shares with the U.S. Securities and Exchange Commission ("SEC") and listed the ADRs on the Nasdaq Stock Market ("Nasdaq"), the Company must comply with U.S. laws and SEC regulations applicable to foreign companies that trade their securities in the U.S., including the Sarbanes-Oxley Act of 2002 and the listing requirements of Nasdaq. These laws, regulations and requirements cover matters such as independence of directors, audit committee compensation and duties, codes of ethics, independence of auditors, and disclosure of fees and services provided by auditors. The Company believes that it is in material compliance with these laws, regulations and listing requirements.



C. Organization Structure

Atlas Pacific Limited owns all of the capital stock of Tansim Pty Ltd, an Australian company, which in turn owns all of the capital stock of the Indonesian company, PT Cendana Indopearls. The functional relationship of the group's structure is described in the table below.

ATLAS PACIFIC LTD – Australian Company

Functions	Assets	Risks
1. Marketing of pearls – cleaning, sorting and grading.	1. Marketing agreements and established marketing network.	1. Fluctuations in pearl market prices, fluctuations in exchange rates Yen/A\$ and marketing requirements.
2. General business administration	2. Professional management and technical support with access to industry and business best practice.	2. Investment in S.E. Asia and aquaculture industry; market maker and investor/banker reaction/perception of the business.
3. Financial reporting and public relations	3. Listed on Australian and International stock exchanges, relationships with investment brokers and banks.	

TANSIM PTY LTD (100% owned by Atlas Pacific Ltd) – Australian Company

Functions	Assets	Risks
1. Holds investment in PT Cendana Indopearls	1. Investment in PT Cendana Indopearls	1. Unable to recover value of investment
2. Provided original project finance.		

PT CENDANA INDOPEARLS (100% owned by Tansim Pty Ltd) – Indonesian Company

Functions	Assets	Risks
1. Breeding/hatchery	1. Operational personnel	1. Environmental and climatic variations – spat and oyster losses.
2. Oyster farming	2. Fixed assets	2. Remote location – limits access to skilled workforce and emergency services, makes logistics more difficult.
3. Seeding / nucleation	• Boats	3. Security and socio-political issues.
4. Pearl harvesting	• Farm equipment	4. Limited access to capital.
5. Administration of operations, security, logistics, community relations.	• Hatchery buildings & equipment	
	• Nucleation equipment	
	• Accommodation/support infrastructure	

**D. Property, Plants and Equipment*****Subico, W. Australia***

The Company rents office space, consisting of approximately 275 square meters, in the suburb of Subiaco, Western Australia, from Mr. David Morrison. The lease commenced on July 1, 2004 and has a term of three (3) years with an option to renew the lease under the same terms for three (3) additional years. The lease provides for an aggregate rental payment of A\$18,000 annually, which rent is paid in equal monthly installments. The rental payment is subject to annual increases based upon fair market value.

Kupang, W. Timor

On October 6, 1992, the Joint Venture (which later became PT Cendana Indopearls) entered into a 20-year lease for five hectares (12.3 acres) of land at Lelindo Point and constructed a hatchery, laboratory, administrative offices, workshop, store room and accommodations for expatriate managers. On September 4, 1994, it entered into a 10-year lease for 0.3 hectares (0.74 acres) of land located on Kambing Island overlooking the nursery. Ardindo Nusa entered into these land leases on behalf of the Joint Venture. Pursuant to the Sale Agreement, the Joint Venture agreed to transfer all assets, including the land leases, to Cendana. Accordingly, Ardindo Nusa assigned all beneficial interest in the leases and any extensions thereof to the Company.

On March 10, 1993, Cendana entered into water leases, which leases were later amended. On September 4, 1995, Cendana received Presidential approval for its water leases. The various water leases are located within a four mile radius of the Kupang hatchery and total 725 hectares (2.8 square miles). The leases are for a term of 30 years. Cendana used these waters as a nursery for young oysters and as a pearl farm for the nucleated oysters prior to the closure of the Kupang facilities in December 1999.

During November 1999, the Company decided to close the facility at Kupang. See "Item 4. Information on the Company - The Pearling Project." In December 2000, the Company finalized negotiations with an Indonesian company for the sub-lease of the land, buildings and water leases comprising the Kupang facility for a period of five years. The sub-lease commenced on February 2001. Cendana receives A\$55,192 (US\$34,800) per annum under the sub-lease. Pursuant to the terms of the sub-lease, Cendana will transfer all of its beneficial interest in the land and water leases, and the building relating to the Kupang facility, to the sub-lessee upon the payment of all of the sub-lease payments due for the five year sub-lease period.

The Indonesian government owns all of the land and water upon which the Kupang pearl farm was located and leases the property to Cendana for a fee of A\$8,400 per annum. All of the government leases are conditioned upon Cendana meeting certain requirements, including the development and use of the leased property for pearling operations. The sub-lease arrangement fulfills the Indonesian government's conditions. The Company remains primarily liable for the annual lease payments to be made to the government.



Waigeo Island, W. Papua

Cendana also has water leases that commenced on September 30, 1997 encompassing approximately 2,500 hectares (6,200 acres) on Waigeo Island, in the W. Papua (formerly Irian Jaya) province of Indonesia. The leases are for a term of 25 years and expire on September 30, 2022. This site is approximately 130 kilometers west of Sorong in a remote area with excellent waters for pearl farming. It was a condition to the Indonesia government's agreement to enter into the leases that the Company construct and operate a hatchery at the site. The Company completed construction of its hatchery during 1998. The hatchery had its initial production run in December 1998. The new facility has the capacity to hold up to one million mature adult oysters. The Company moved its operations and all of its equipment to this site in November 1999 when it closed its facility in Kupang.

In addition to the hatchery, the Company has constructed an office, workshop, accommodation buildings and a fuel storage facility at the Waigeo site. The Company also has a fleet of approximately 25 work vessels of various sizes and two medium size wooden hull transportation ships. One of the Company's two transport vessels, D'Entrecasteau was replaced in August 2003 following its loss at sea. The replacement vessel, Sahabat, has significantly more capacity for transportation of oysters than the D'Entrecasteau had. A significant part of the farm infrastructure is made up of longlines, floats and panels, which accommodate the oysters while they are being farmed. The Company has expended approximately A\$6.8 million since 1997 to construct and purchase the capital improvements described above at the Alyui Bay farm. These expenditures were funded from the Company's own cash reserves. Although the facilities continue to be developed, the main infrastructure at the Waigeo site is now complete.

In 1998, the Company leased approximately five hectares (12.3 acres) of land and 2,000 hectares (4,920 acres) of water at the Alyui Bay site. The Company pays 3,000,000 Indonesian Rupiah per annum (A\$600) to the Kawe Tribe at Selpale village for the 25-year water and land lease, which both expire on July 1, 2023. The Company believes that it is in compliance with all of the terms of the lease.

In 2002, the Company began transitioning the focus of the Alyui Bay site to concentrate on seeding the best quality oysters. This transition is now complete. This unique location is already delivering an improved result in terms of quality of productivity through the seeding of more oysters than before and better post-seeding results with higher retention of nuclei as a result of more focused attention on mature oysters. Many of the non-essential support tasks have been transferred to the lower cost centers at Bali and Bacan. The Alyui Bay project now has two facilities for seeding and harvesting of pearls, and modification of the existing hatchery will allow for a third facility for seeding and harvesting in 2004. The Company's new boat, which it acquired in August 2003, has proved to be a very satisfactory vessel for transporting the juvenile oysters from N. Bali and Bacan to Alyui Bay.

N. Bali

In July 2002, the Company entered into a joint operating arrangement with Abadi whereby the Company secured an interest in the right to access a small hatchery and associated sea leases in Northern Bali at Banyupoh (the "Bali Hatchery Joint Venture"). The infrastructure at Banyupoh occupies approximately two hectares (4.9 acres), and is relatively simple but has been sufficient



for successful oyster spawnings. In addition to the hatchery, there is a simple grading shed, accommodations for four employees and an office. Abadi owns all of the land and buildings located at Banyupoh. In addition, Abadi owns the majority of the equipment on the farm. The Company transferred its equipment from the original Kupang hatchery, which was re-commissioned for use at this facility at minimal cost, to the farm and pays A\$30,000 annually (for three years) for the use of the land, buildings and water leases. Abadi also has a sea lease for approximately 38 hectares (93 acres) adjacent to the land area on which the hatchery and other infrastructure is built. Abadi pays A\$12,500 for the water lease in Banyupoh, and the leases expire in 2026. The Bali Hatchery Joint Venture uses the water leases to hold longline systems to accommodate the juvenile oysters once they leave the land-based hatchery. The agreement for this joint arrangement runs until August 2005.

In addition to the joint operation at Banyupoh, the Company has also leased 0.2 hectares of land and 100 hectares of ocean that are being developed into an independent juvenile production and grow-out facility in North Bali near the village of Penyabangan, which is approximately 15km east of Banyupoh. The Company paid an upfront lease payment of A\$15,000 for both of the leases and has an obligation to pay approximately A\$200 per month for the 30-year term of the leases. By December 31, 2003 there were a significant number of juvenile oysters from the 2003/04 spawning season growing at this new location and the first on shore facilities, albeit somewhat rudimentary, were in place. The Company hopes to complete the development of Penyabangan during 2004 with the inclusion of a low cost hatchery centre. The site will also support the Company's future boat building and other manufacturing/support activities for the more remote locations elsewhere in Indonesia. It is anticipated that approximately A\$220,000 will be spent on this infrastructure in 2004. By developing an independent hatchery facility, Cendana will no longer be reliant upon its joint venture partner, Abadi, for juvenile oysters. It is anticipated that this facility will realize approximately 300,000 juveniles each year.

During 2003, the Company moved its Indonesian headquarters from Sorong to Denpasar, Bali. The Company's office is well located with excellent access to communication and transport infrastructure. The Company recruited six highly competent local Indonesian staff and the Company's Managing Director is now based in Bali. The Company spent around A\$20,000 for office equipment and communications equipment. Cendana has entered into a three (3) year lease of its office facility and pays rent of approximately A\$1,500 per annum.

Bacan, N. Maluku

During 2004, the Company entered into a second joint production arrangement with Cemerlang. This joint arrangement is for a period of five years, and the Company has an option to extend the arrangement thereafter for five years on the same terms. The Company has been granted shared use of the leases and facilities of this operation. The Company is responsible for the funding of this operation and for the supply of expatriate and Indonesian managers for this operation. Cemerlang receives a proportion of the juvenile oysters that are produced from this facility depending upon the age that the juveniles are taken. The split is 50:50 if the juvenile oysters are taken from the Bacan facility before they are 12 months of age. After this, the oysters are split 70% to Cendana and 30% to Cemerlang. The joint venture partner will continue to retain ownership of the water and land leases and any assets which were in existence at the commencement of the arrangement. Cendana expects to spend around \$260,000 in repairs and



upgrades to the existing facilities in 2004 and 2005. Any removable infrastructure that is paid for by Cendana during the term of the agreement will be split equally. Fixed assets that have been paid for by Cendana that cannot be removed from the site at the end of the agreement will be compensated for by Cemerlang based on their depreciated cost value. The Bacan operations are expected to produce approximately 300,000 juvenile oysters each year for each of the Company and the joint venture partner.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The Company's consolidated financial statements are prepared in accordance with AAS. Certain line items of such financial statements have been reconciled to US GAAP to assist U.S. persons in evaluating such data. See "Item 17. Financial Statements - Note 33 to Financial Statements." The following discussion references only the amounts computed in accordance with AAS.

Overview

The following is an analysis of the Company's results of operations, liquidity and capital resources. To the extent that such analysis contains statements that are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. See "Introduction - Forward Looking Statements."

In order to produce pearls the Company must maintain an ongoing supply of oysters. The natural cycle of the oyster dictates that it is approximately four years from the spawning of the oyster until the production of a pearl. See "Item 4.B. Business Overview." The Company capitalizes the costs associated with the rearing, husbandry and nucleating of an oyster over the pearl production cycle. These capitalized costs are disclosed in the financial statements as "Self Generating and Regenerating Assets." Upon the harvesting of the oyster and the production of the pearl, an appropriate portion of this cost is transferred to the pearl inventory and ultimately to the cost of sales when the pearls are sold.

Total income derived by the Company from different sources during its most recent three fiscal years is set forth in the following table:

	2003	2002	2001
	A\$	A\$	A\$
Interest received	194,150	364,886	199,181
Sales of oysters	0	0	0
Sales of pearls	8,803,892	10,581,317	10,856,678
Sales of oyster shell and meat	54,521	17,495	53,819
Revenue from joint venture partner	0	85,922	162,148
Foreign exchange gain	525,344	182,039	0
Miscellaneous	59,486	109,789	64,158
	<u>9,637,393</u>	<u>11,341,448</u>	<u>11,335,984</u>



In addition, the following table summarizes the results of the Company's pearl, oyster, oyster meat and shell sales for its last three fiscal years:

Detail	2003	2002	2001
Revenue from sale of pearls (wholesale)			
Sellable Grade Pearls:			
Value (A\$)	\$7,913,204	\$9,851,511	\$9,910,471
Quantity (No.)	52,933	47,508	47,380
Weight (Momme)	31,325	29,324	31,356
Average price per momme (A\$)	\$ 253	\$ 336	\$ 316
Average weight per pearl (momme)	0.592	0.617	0.662
Commercial Grade Pearls:			
Value (A\$)	\$ 400,523	\$ 583,727	\$ 464,907
Quantity (No)	21,734	22,630	18,575
Weight (Momme)	10,774	12,791	9,660
Keshi (seedless) pearls:			
Value (A\$)	\$ 490,165	\$ 146,079	\$ 481,300
Weight (Momme)	3,640	1,232	2,993
Revenue from sale of oyster shell & meat (A\$)	\$ 54,521	\$ 17,495	\$ 53,819

A. Operating Results

2003 Compared to 2002

Total Company revenue for 2003 was A\$9,637,393, which represented a decrease of A\$1,704,055, or 15%, when compared to 2002 revenue. The major factors that contributed to the fall in the Company's revenue for 2003 include;

- A fall in the market price for pearls, due to a greater supply of pearls and weaker demand precipitated by the state of the economy in Japan and America.
- A stronger Australian Dollar foreign exchange rate (JPY/AUD, the Japanese Yen being the currency for pearls).
- A decline in the quality and size of pearls produced due to less favorable climatic conditions existing during the development of the pearls.

In Japanese Yen per momme terms, the average price of sellable pearls dropped by 19% in 2003 compared to 2002. The Australian Dollar appreciated by approximately 11% on average from 2002 to 2003. The adverse effect of the currency movement on sales was offset by exchange rate hedging that was in place and this resulted in a significant increase in the income from foreign exchange gain during 2003.



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Page 1 of 1

The lower quality of the Company's pearls in 2003 is a reflection of the lower quality of the oysters that were available for seeding in 2001 and the effect of the El Nino climatic conditions on these oysters in 2002. More specifically, the older age of the oysters from which the Company extracted Saibo tissue in 2001 appears to have caused a partial deterioration in the color of the pearls that were harvested in 2003. The quality was also adversely affected by the poor quality of the pearls achieved from second operation oysters. These are pearls that are produced from oysters, which have already produced one pearl and which are then re-seeded with a second nucleus. This practice has proven to be unsuccessful in terms of producing a high quality pearl and the Company has discontinued this practice. The average weight of the sellable grade pearls that were harvested in 2003 also decreased. This was intentional, however, as the Company encountered higher demand was for pearls in the 9-11 mm diameter range in 2003. In prior years, pearls were left unharvested for a longer period of time so that they were larger. Cumulatively, these factors had an adverse affect on revenue during 2003.

The adverse impact of the climatic conditions on the quantity of the Company's juvenile oysters seeded in recent years and on the quality of the developing pearls will continue to negatively impact the Company's pearl sales revenue in 2004. However, the Company has changed its seeding practices by eliminating second operations and has improve its Saibo tissue quality. These changes are expected to yield improved quality pearls for the future.

By December 31, 2003, the Company had transferred over 120,000 oysters near to seeding age to its Alyui Bay pearling centre from its Bali and Bacan operations. It also moved an additional 200,000 oysters to Alyui Bay in the first few months of 2004. A significant number of these oysters comprised the selectively bred "silver lip" strain. During 2003 the Company seeded 206,000 virgin or first time seeded pearl oysters. A further 78,000 oysters were operated upon under a share farming arrangement in 2003. These activities demonstrate the strong capacity that the Company is achieving at its Alyui Bay centre. The Company is continuing to increase its nucleations at the Alyui Bay centre and should be able to achieve its target of 300,000 nucleations for 2004. This compares well with the 200,000 oysters that were seeded in 2002. The oysters that were nucleated in 2003 will be harvested in 2004 and 2005. In 2003 growing conditions for both juvenile and mature pearl oysters were conducive to high survival, excellent health and improved seeding results when compared with 2002. The Company remains committed to the production of high quality pearls. To this end the Company is focusing primarily on the production of pearls in white and silver color from first time operated pearl oysters. The Company believes that these pearls generate the best yield for the cost and that these products remain in strong demand. To support this endeavor the Company will maintain the diversified growing centers developed during 2003 and continue to investigate new opportunities as they emerge. The effect of these changes will begin to filter through to the price of harvested goods during the later part of 2004.

Interest income decreased by A\$170,736 to A\$194,150 in 2003 as cash reserves were used to fund operations. A significant portion of the net foreign exchange gains of \$525,344 recorded during 2003 was the result of the strong rise in the Australian Dollar against existing forward exchange rate hedge contracts and derivative products. These products are employed by the Company to hedge the foreign exchange risk of a fall in the Australian Dollar exchange rate. The



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Page 1 of 1

Company did not earn any revenue from oyster share farming joint ventures in 2003, the revenue from previous years was from former share farming arrangements which have now completed their production cycle.

The cost of goods sold increased in 2003 from A\$2,493,667 in 2002 to A\$5,049,131 as a result of the higher number but lower quality of sellable grade pearl product that was produced and sold at market in 2003. This increase also occurred because there were substantially more oysters to maintain in this harvest batch. This higher number of oysters did not, however, produce significantly more pearls as would be expected, which was mainly due to the poor environmental conditions that existed at that time. This resulted in a corresponding higher cost per unit than achieved in previous years. This increase was partially offset by the reduction during 2003 in the unit cost of production for juvenile oysters up to 12 months of age. These cost savings should flow into 2004 and lead to an overall reduction in the unit cost of production. This result has been achieved as a direct consequence of the relocation of juvenile production from Alyui Bay to N. Bali and Bacan that commenced in late 2002. Inflation in Indonesia, which presently hovers around 5%, continues to press production costs upward. The Company cannot estimate the impact of inflation on its cost of good sold in 2004.

Marketing costs declined by A\$240,373, or 28%, to A\$618,811 in 2003 due to the decline in revenue from pearl sales and commissions and marketing levies applied to pearl sales.

Administration expenses for 2003 declined by A\$384,496 to A\$1,629,004. This reduction is part of the Company's cost reduction strategy whereby it relocated its Indonesian logistics and support center from the more isolated point of Sorong to Bali, which offers excellent access to communication and transport infrastructure, which reduced the Company's cost to access this center. The strategy of continuing to source and train Indonesian Nationals and reduce the number of expatriate employees has also continued to reduce the Company's costs of operations.

The Company achieved a pre-tax operating profit of A\$1,941,309 in 2003 compared to a pre-tax operating profit of A\$5,617,033 in 2002. This decrease of A\$3,675,724, or 65%, is primarily due to the decline in revenue from pearl sales and the increase in cost of goods sold that occurred in 2003.

The Company's income tax expense decreased significantly, from A\$2,617,033 in 2002 to A\$1,941,309 in 2003. This decrease was due to the decline in the pre-tax operating profit from 2002 to 2003. As a percentage of pre-tax operating profit, income taxes declined to 36% in 2003 from 38% in 2002.

The Company produced a net income of A\$1,244,733 for 2003 compared to a net income of A\$3,499,017 in 2002, due to the decline in revenue from pearl sales, and the increase in cost of goods sold, as described above.

2002 Compared to 2001

The Company's revenues for 2002 were A\$11,341,448, which represented an increase of A\$5,464 compared to 2001 revenue. This increase was due primarily to an increase in interest income and a foreign exchange gain. The increase in interest income of A\$165,705 resulted from increased cash reserves held in deposit accounts and the foreign exchange gain of A\$182,039 related to income generated from foreign exchange contracts and derivative products the Company employs to hedge its foreign currency exchange risk.



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Page 1 of 1

The Company's revenue from the sale of pearls was A\$10,581,317 in 2002 as compared to A\$10,856,678 in 2001, a decrease of approximately 2.5%. Pearls are sold by weight, and revenue in 2002 declined due to the smaller product the Company harvested in the second part of 2002 compared to the earlier harvest in January. This decline was offset in part by the increase in the average price per pearl. The average price per momme has trended upwards over the last three years, which is an indication of the improvement in the quality of the Company's pearls. The increase in price is not indicative of the overall pearl market, which has stayed relatively flat over this period.

The Company nucleated 200,000 oysters 2002 compared with 238,000 in 2001. This decline will adversely affect the number of pearls the Company can expect to harvest in the future. The number of oysters re-operated after harvest or as a result of rejecting the first nucleus was reduced in 2002 due to the poorer quality of pearls that were produced from this type of operation to date. The Company will focus its attention on increasing the number of virgin oysters used in future seeding program's to target higher production of quality pearls. Thus, the Company will require more juvenile oysters in the future.

The costs of good sold declined in 2002 to A\$2,493,667, from A\$2,807,400 in 2001. This cost reduction was primarily due to the effect of a change in accounting principles that affected how the Company accounted for the administration expenses associated with its Indonesian operations. Prior to 2002, administration costs and royalty payments due to Arrow Pearl Company were capitalized and considered to form part of the manufacturing cost of the pearls. Commencing in 2002, the Company began expensing administration costs for the Indonesian operation and including these expenses in administration expenses. These expenses amounted to A\$668,264 in 2002. This change in accounting treatment reduced the Company's cost of goods sold in 2002 and increased its administration costs by the same amount in 2002. Also commencing in 2002, the Company began expensing the royalty payments due to Arrow Pearl as part of the cost of good sold in the year such royalty payments were made. In 2002, the royalty payments amount to A\$238,661. Without giving effect to this change in accounting principles, the cost of good sold increased in 2002 by A\$354,531, or 13%, from 2001. This increase was primarily due to an increase in the accumulated costs associated with the pearls that were harvested and sold during 2002. As the pearl farm has expended over the last 5 years, the cost of operation has increased at a rate faster than the increase in production. Therefore the per unit cost has increased.

Administration expenses for 2002 were A\$2,013,500, which represented an increase of A\$833,585 compared to 2001. This significant increase is the result of the change in the accounting treatment of these costs in Indonesia, as described above. Without giving effect to this change in accounting principles, administration expenses increased in 2002 by A\$165,321, or 14%, from 2001. This increase was primarily due to higher wages costs in Australia and Indonesia, increased insurance costs and higher professional fees (legal, audit and accounting).

The borrowing costs of the Company declined from A\$345,154 in 2001 to A\$3,295 in 2002 as holders of the Company's convertible notes converted them into equity. All of the Company's notes had been converted or redeemed by March 2002.



The Company achieved a pre-tax operating profit of A\$5,617,033 in 2002 compared to a pre-tax operating profit of A\$5,702,355 in 2001. This decrease of A\$85,322, or 1%, is primarily due to the slight decline in total revenue and the slight increase in expenses that occurred in 2002.

The income tax expense of the Company increased significantly over the past three years from nil in 2000 to A\$1,551,585 in 2001, and to A\$2,118,016 in 2002. This increase occurred as the Company's pre-tax operating profit increased, and as the Company exhausted its accrued tax credits and prior loss carry forwards that reduced its 2000 and 2001 tax liability. In 2002, the Company also incurred a taxable foreign exchange gain in Indonesia as a result of revaluing the A\$ loan from Tansim Pty Ltd to Cendana. The inter-company loan is denominated in Australian Dollars, and the unrealized gain or loss on this loan is assessable for tax purposes in Indonesia. As a result of the movement of these currencies, there is an affect on the taxable gain or loss for the Company. The Company will continue to pay income tax on exchange rate gains and claim deductions for tax purposes on foreign exchange losses in Indonesia in the future.

The Company produced a net income of approximately A\$3,500,000 for 2002, compared to a net income of approximately A\$4,150,000 for 2001, due to the increased tax liability described above.

Future Business Potential and Constraints

The Company is focused on growing its business and is making a significant effort to ensure that it has a continuous supply of oysters for its Alyui Bay facility. The development of the Company's Bali hatchery joint venture, a low cost hatchery and logistics, such as the ability to carry out such functions as boat building and longline manufacture at a much cheaper rate and not having to accommodate our staff, in Penyabangan, Bali, and a second joint production arrangement in Bacan Island represent positive steps towards achieving this goal. As the Company develops additional ventures it will have the opportunity to structure production to better suit the differing environmental and production conditions that prevail at a given site.

The Company believes that improved pearl production techniques will ensure that it continues to bring high quality product to the market. The increase in seedings from 200,000 in 2002 to 284,000 in 2003 and an expected further increase to 300,000 in 2004 will improve the economies of scale at the Company's Alyui Bay site. The absence of production quotas in Indonesia ensures that the quantity of oysters that the Company can nucleate is limited mainly by the Company's ability to produce juvenile oysters rather than government regulation. This provides the Company with a competitive advantage not available to the Company's Australian competitors. The quantity and quality of the Company's pearl production is also determined by the techniques it employs in the nucleation and husbandry of its oysters. Climatic and environmental conditions will affect its future results; these factors can only be managed but not controlled by the Company.

The Company continues to monitor the movement of foreign exchange rates against the Australian Dollar, especially that of the Japanese Yen, which is the currency in which most of the Company's revenue is denominated. The Company uses forward foreign exchange contracts and some derivative products, with terms of not more than two years, to hedge these risks. Derivative financial instruments are not held for speculative purposes. Although the Company makes efforts to limit its exposure to adverse movements in the Japanese Yen against the



Australian Dollar, these exchange rates are subject to market influences over which the Company has no influence. The Company does not hedge the risks associated with foreign exchange movements between the Australian Dollar and the Indonesian Rupiah.

Many Asia Pacific countries, including Indonesia, are experiencing economic difficulties including liquidity problems, volatility in prices and significant slowdowns in business activity. Operating costs, including wages, employee amenities and fuel, have been subject to inflationary pressure, with increases in excess of 15% over the past 2 to 3 years. The Company's operations will continue to be affected, into the foreseeable future, by Indonesia's economic condition. The ability of the Company to sell its assets in Indonesia depends to a large extent on events beyond the Company's control. If the Company was forced to abandon its pearl farms due to political unrest, the Company would likely not recover any of its investment in its Indonesian assets.

Resolution of the adverse economic conditions that exist in Indonesia depend to a large degree on fiscal and monetary measures that may be taken by the Indonesian government. Recent national elections held throughout Indonesia have done little to clarify this position. Such actions are beyond the Company's control, and the Company cannot predict whether the government will be successful in initiating and achieving economic recovery. The Company also cannot determine the future effects that the ongoing adverse economic conditions may have on the Company's liquidity and earnings, as well as on its Indonesian customers (for pearl meat and Mother of Pearl shell) and suppliers.

B. Liquidity and Capital Resources

Net cash flow provided from operating activities declined from A\$2,004,107 in 2002 to A\$246,835 in 2003. The decrease was primarily due to a reduction in the proceeds from the sale of pearls of A\$1,332,266, a reduction in interest received of A\$195,790 and an increase in income taxes paid of \$1,028,636. This was partially offset by a reduction in payments to suppliers and employees of A\$762,379.

The Company used cash from investment activities in 2003 primarily to purchase new property, plant and equipment in the amount of A\$1,119,718, an increase of A\$502,600 over funds invested in new assets in 2002. A significant part of this investment related to developing new sources from which to procure juvenile oysters, changing the focus of the Alyui Bay site operations from a fully integrated pearling operation to a dedicated pearl production operation, meaning that juvenile oysters have been removed, and establishing facilities in Bali. The Company paid for these new assets in part from cash from operations, with the balance coming from cash reserves. Cash on hand at the end of 2003 was A\$4,301,918, which is down from A\$6,119,808 at the end of 2002 due to the Company using its cash reserves to purchase assets and fund its ongoing operations.

The Company paid a dividend of \$A878,103 in April 2003 based on the final results of 2002. This contrasted to dividend payments of \$A3,402,484 in 2002. The Company does not plan to pay any dividends in 2004.

The Company had no borrowings or long-term debt as of the end of 2003. The Company funds its pearling operations from operational cash flow and cash reserves and plans to continue to do so in 2004. Future investment in assets associated with the maintenance and development of the



pearling operations in Indonesia are assessed on their merits as required or when opportunities arise. The Company intends to develop the land that it has obtained pursuant to a 30 year lease at Penyabangan in N. Bali by building a hatchery which is expected to be completed in 2004. Approximately A\$120,000 will be spent on capital improvements at this location in relation to the hatchery and ancillary buildings, power generation equipment and hatchery equipment, such as water tanks, autoclave, pumping systems and scientific equipment. The Company will spend an additional A\$100,000 at Penyabangan on longlines, panels and cleaning equipment for the housing and husbandry of oysters at the site. The Company also plans to spend approximately A\$115,000 for capital equipment at Bacan, which will include expenditures for longlines, cleaning machines, work boats, communications equipment and building upgrades. All planned investments are currently expected to be funded through operational cash flows and cash reserves. The Company is considering entering into a standby banking facility to ensure ongoing funding is available in the event of any significant adverse change in the pearl market. This is expected to be in the form of an overdraft facility that would be available to fund any operational cost if there is a delay in the sale of pearls. The Company believes it has sufficient working capital for its present requirements.

The Company did not raise any funds from capital raising activities during 2003. This was in contrast to 2002 where the Company raised A\$2,556,365 from the exercise of options to purchase its Shares. There are no options or other rights to purchase Shares outstanding.

C. Research and Development

As part of its ordinary operations, the Company continues to test and monitor shell growth rates, pearl growth rates, pearl quality, hatchery cleanliness and the suitability of the surrounding waters as to temperature, pollution and water currents. The Company's in-house marine scientists also continually study and test innovative ways to improve shell husbandry, and consequently, the production of quality pearls.

The Company provides research opportunities for promising Indonesian and Australian students in conjunction with universities and fisheries departments.

Expenditures incurred on research and development in the Company's last three fiscal years have been treated as ordinary operating expenses, and are expensed when incurred. Expenses that are identified as pearl production costs are capitalized. See "Overview" and "Item 17. Financial Statements."

D. Trend Information

The Company's pearl farm and operations are now well established. In 2002, the Company experienced the negative impact of climatic and environmental factors, such as *El Nino*, that reduced the size and quality of the pearls the Company produced in its 2002 and 2003 harvests. In addition, these factors adversely affected the Company's production of juvenile oysters required for future pearl production. The Company has implemented a number of initiatives to assure that it has an adequate supply of oysters for future pearl production by diversifying the areas from which it can source juvenile oysters. The Company has also focused its production facilities at Alyui Bay to maximize the number of specially selected oysters that can be seeded and to maintain practices that will maximize the health of these oysters during the growth and



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development of the pearls. The negative effects associated with the influence of *El Nino* declined in 2003. The Company does not anticipate that the number of pearls it will harvest during 2004 will increase from 2003. Success in increasing the number of oysters the Company seeds in the next few years combined with improved pearl retention rates will increase the Company's production of pearls in the longer term.

The decline in recent years in the prices for South Sea pearls, arising partly from large quantities being offered for sale on world markets, has been further exacerbated by a weak economy and a decline in the quality of pearls produced by the Company. This decline occurred due to unfavorable climactic conditions, the Company's poor experience with second operation pearls and poor quality Saibo tissue. The Company has implemented strategies to correct the second operation and Saibo tissue factors, but many of the other factors that affect price are out of the Company's control. The Company continues to target the production of pearls it believes will be most sought after by the market and the least subject to these price pressures.

E. Off-Balance Sheet Arrangements

The Company includes all of the revenue, expenses, assets and liabilities of its joint ventures in its consolidated financial statements. As a result, the Company does not have any off-balance sheet arrangements required to be disclosed pursuant to Commission rules.

**F. Tabular disclosure of contractual obligations**

Contractual obligations	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 years	more than 5 years
Long term debt obligations	—	—	—	—	—
Capital (finance) lease obligations	—	—	—	—	—
Operating lease obligations	—	—	—	—	—
Purchase obligations ⁽¹⁾	A\$2,560,000	A\$760,000	A\$1,800,000	—	—
Total	A\$2,560,000	A\$760,000	A\$1,800,000	—	—

- (1) The Company has contractual obligations to fund a portion of the operating costs with respect to facilities at Banyupoh and Bacan that it operates jointly with others. See "Item 4.B Business Overview - Pearling," and "Item 4.D Information on the Company—Property, Plant and Equipment." These obligations reflect the total estimated amount the Company will spend with respect to these joint arrangements during the terms of these agreements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management**

The following sets forth the names of the members of the Company's Board of Directors and its senior management. Generally, each member of the Board of Directors serves for a three-year term. Such term may be shortened, in certain instances, in accordance with the Company's Constitution and the ACSL. The term of office of a certain number of Directors expires each year; consequently, the number of Directors who stand for re-election each year may vary. The Company's executive officers are appointed by, and serve at the pleasure of, the Board.

WALTER FREDERICK JAMES, M.I.E. (Aust), F.A.I.C.D. (62 years old). Mr. James has served on the Board of Directors since March 23, 1999 and was appointed Chairman of the Board on January 1, 2003. Mr. James has considerable experience in commerce as a director of public and private companies, including his current role as managing director of Wintech International an international company specializing in the manufacture of computer-controlled contour cutting or profiling machines for the foam industry, and as the principal of the business consulting firm, W.F. James & Associates Pty Ltd, specializing in general management and corporate restructuring. He is a director of several private companies.

GEORGE ROBERT WARWICK SNOW, B.Ec, F.A.I.C.D. (58 years old). Mr. Snow has served as a director since October 28, 1997 and is its Deputy Chairman. Mr. Snow is a graduate in Economics from the Australian National University and has had 28 years experience in finance, property development, real estate management and equity finance. Mr. Snow is the managing director of the Sydney-based Dampier Investment Group Pty Limited, an equity financier involved in strategic company management. He is also the Chairman of Biron Capital Limited, a property finance company.



STEPHEN JOHN ARROW (43 years old). Mr. Arrow has served as a director since June 29, 1999. Mr. Arrow has 23 years experience in the pearling industry in Western Australia and the Northern Territory and is managing director and owner of Arrow Pearl Co Pty Ltd, Western Pearlers Pty Ltd, and a Director and co-owner of Dampier Pearling Co Pty Ltd.

JOSEPH JAMES UEL TAYLOR, B.Sc. (Biology), Ph.D. (37 years old). Dr. Taylor has served as a director since September 13, 2000. He was appointed to the role of managing director effective September 1, 2001. Dr. Taylor is a marine biologist and aquaculturist whose Ph.D. research specialized 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 and has overseen the development of the project to its current level of production. From 1996 to 2000, Dr. Taylor held the position of managing director with the Company. Prior to this, he spent three years working for PT Mutiara Cemerlang, which is an Indonesian pearl business.

SIMON CHARLES BUNBURY ADAMS, B.Bus, M.Acc, ACIS (38 years old). Mr. Adams was appointed as the Chief Financial Officer and Company's Secretary on February 1, 2001. He has more than ten years experience in corporate management in the industries of pearling, mining and engineering. He has been employed with the Company for over four years. Prior to joining the Company, Mr. Adams worked for two and a half years as the chief accountant of Advanced Energy Systems Ltd, an engineering firm, which specialised in renewable energy systems, and for five years before that Mr. Adams worked for Transcontinental Resources Group, an organization that had several real estate and mining interests.

JAN SEIR JORGENSEN, Certificate in Aquaculture, NASDS Diver (37 years old). Mr. Jorgensen was appointed to the position of Project Manager in November 2002. He has been employed with the Company since May 1994 and has held various positions in Indonesian pearling operations in the areas of hatchery, farm and administration.

There are no arrangements or understandings with major shareholders, customers, suppliers or others by which any director or member of senior management was appointed to his position. There are no family relationships between any directors or executive officers and any other directors or executive officers.



B. Compensation

The total remuneration paid to each of the Company's directors and senior managers for services in all capacities during 2003 is set forth below:

	RESPONSIBILITIES	DIRECTORS FEES A\$	OTHER A\$	SUPER- ANNUATION A\$	TOTAL A\$
W.F. James	Chairman	60,000	—	4,219	64,219
G.R.W. Snow	Deputy Chairman	33,750	—	3,038	36,788
S.J. Arrow	Non-Executive Director	30,000	—	2,700	32,700
J.J.U. Taylor	Managing Director	—	241,084	21,388	262,472
A.M. Ken ⁽¹⁾	Non-Executive Director	15,328	—	—	15,328
R.P. Poernomo ⁽¹⁾	Non-Executive Directors	12,500	21,463 ⁽²⁾	—	33,963
S.C.B. Adams	Chief Financial Officer	—	105,263	9,474	114,737
J.S. Jorgensen	Project Manager	—	149,285	—	149,285

(1) Retired as Directors of the Company on May 21, 2003.

(2) Paid by the Company's wholly-owned Indonesian subsidiary, Cendana.

There are no agreements between the Company and any director or senior manager which provide for benefits upon termination or retirement.

The Company makes compulsory superannuation contributions (retirement benefit contributions) based on a percentage of salary for its Australian employees and executive officers. These plans are Australian-mandated retirement plans.



C. Board Practices

Name	Position with the Company	Term Expires
Walter Frederick James	Chairman of the Board since January 1, 2003 and Director since March 23, 1999.	2007
George Robert Warwick Snow	Director since October 28, 1997.	2006
Stephen John Arrow	Director since June 29, 1999.	2005
Joseph James Taylor	Managing Director since September 1, 2001 and a Director since September 13, 2000.	— (2)
Simon Charles Bunbury Adams	Chief Financial Officer since January 2, 2000 and Secretary since February 1, 2001.	— (3)
Jan Seir Jorgensen	Project Manager since November 5, 2002.	— (3)
Alexander McBride Kerr	Chairman of the Board from May 30, 1997 until December 31, 2002 and Director since August 31, 1993.	2003 (1)
Raden Pandji Poernomo	Director since November 30, 1995.	2003 (1)

- (1) Prof. Kerr and Admiral Poernomo retired as directors at the Company's Annual General Meeting in May 2003. No additional directors were elected to fill the vacancies created by Prof. Kerr's and Admiral Poernomo's retirement.
- (2) The Constitution of the Company stipulates that the Managing Director does not have to retire and be re-appointed. Mr. Taylor's employment contract has a term of three years and expires on December 31, 2007, unless extended by the mutual agreement of the parties.
- (3) These are executive positions within the Company which have no fixed term of employment.

There are no agreements between the Company and any director which provide for benefits upon termination or retirement.

All current Directors are members of the audit committee. The role of the committee is to advise on the establishment and maintenance of a framework of internal control in relation to the financial reporting of the Company's business activities. The activities of the committee ensure that the financial information prepared for use by the Board in determining policies or for inclusion in the Company's financial reports is of the highest quality and is as reliable as possible. The committee, from time to time, requests the external auditor, the Company's financial controller and the Company's Chief Financial Officer to provide information at its meetings.

The Company does not have a compensation committee. Remuneration of executives is set by the Board and when the issue of compensation for the Managing Director is discussed, this director abstains from the meeting and is not present during such discussions. Compensation for the Directors is set in line with current industry standards.

**D. Employees**

The table below sets forth the number of employees of the Company at the end of the indicated year by general category of job position.

Number of Employees	2003	2002	2001
Australia – management, administration and support	5	5	5
Indonesia –			
Expatriates – management, technical support and security	7	8	12
Indonesian locals	339	245	232
Management and security	33	35	—
Technical – nucleation/hatchery	14	N/A	13
General oyster husbandry	187	116	71
Building and maintenance	12	N/A	11
Mechanical and engineering	12	10	12
Trade specialists	28	25	24
Hatchery personnel	5	5	8
Administration and logistics	12	54	46
Domestics	12	N/A	27
Transport and shipping	24	N/A	20

N/A – Not Allocated

The Company continued to promote Indonesian staff into senior positions during 2003. With the development of additional operations in Bacan and Bali, several key national staff and experienced expatriate managers have been relocated to these new projects, which relocations have created opportunities for the more experienced Indonesian staff to take on senior positions at Alyui.

The number of employees has increased as a result of the Company's additional operations in Bali and Bacan.

The employees are not represented by unions and union membership is not compulsory in Indonesia.



E. Share Ownership

The following table sets forth the number of ordinary shares of common stock and the percentage of total ordinary shares outstanding beneficially owned by each of the Company's directors and senior management as of June 28, 2004.

Name	No. of Shares Beneficially Owned	Percentage of Shares Outstanding
Walter Frederick James	—	—
George Robert Warwick Snow	14,025,744	15.97%
Stephen John Arrow	1,952,934	2.22%
Joseph James Uel Taylor	65,000	0.07%
Simon Charles Bunbury Adams	—	—
Jan Seir Jorgensen	2,000	*

* Less than 0.01%

There are currently no outstanding options to purchase Shares of the Company. In addition, there are currently no arrangements involving the issuance of Shares or options to purchase Shares of the Company to employees.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets out certain information with respect to each person or group of affiliated persons who is currently known to the Company to be the beneficial owner of 5% or more of the Shares of the Company.

Title of Class	Identity of Person or Group	Amount Owned	Percentage of Class ⁽¹⁾
Ordinary Shares	Dampier Investment Group Pty Ltd. ⁽²⁾	14,025,744	15.97%

(1) Based on 87,810,254 Shares outstanding as of July 9, 2004.

(2) Mr. George Snow is the beneficial owner of the shares held by the Dampier Investment Group.

In 2001, the Dampier Investment Group Pty Ltd. ("Dampier") acquired 4,758,581 Shares pursuant to the conversion of the Company's convertible notes. All Shares owned by Dampier have the same voting rights as the Company's other Shares.

To the best of the Company's knowledge, it is not owned or controlled, directly or indirectly, by another corporation or by any foreign government.

To the best of the Company's knowledge, there are no agreements in place which could result in a change of control of the Company.



As of May 31, 2004, 2,365,750 Shares, or 2.69%, were held on record by 214 persons with U.S. addresses. In addition, 20 persons with U.S. addresses were record holders of 5,085,820 ADSs as of May 31, 2004. Accordingly, the Company has a minimum of 224 U.S. record holders, who own at least 7,450,000 or 8.49%, of the Company's Ordinary Shares.

B. Related Party Transactions

Admiral R.P. Poernomo who retired as a Director of the Company in May 2003 received A\$47,255, A\$37,095 and A\$30,736 in each of 2003, 2002 and 2001, respectively, for providing office facilities and administration services for the Company's Indonesian subsidiary in Jakarta, Indonesia.

WF James & Associates Pty Ltd ("WF James & Associates"), a company of which Mr. W.F. James, a director of the Company, is a principal, provided consulting services to the Company in the years 2002 and 2001. The Company paid a total of A\$9,360 and A\$16,500 in each year, respectively. No fees were paid to WF James and Associates in 2003 in respect of consulting services.

In March 1999, the Company entered into a consulting agreement with Arrow Pearl Co Pty Ltd ("Arrow"), a company owned by Mr. Arrow and for which he serves as managing director. Mr. Arrow is a director of the Company. Pursuant to this agreement, staff of the Company is trained as pearl operation technicians at the Indonesian pearl farm. The Company paid Arrow A\$177,566, A\$232,061 and A\$297,886 during the years 2003, 2002 and 2001, respectively, under the terms of the agreement. The agreement is for a term of five years and automatically renews for an additional five years unless terminated by either party.

The Company rented office space in North Fremantle, Western Australia, from Arrow until June 30, 2004. The Company paid rent of A\$36,430, A\$35,000 and \$8,750 to Arrow in 2003, 2002 and 2001 respectively. In 2001 the Company paid Arrow A\$7,858 to reimburse the cost of shared office facilities.

During 2003, sales of individual pearls of small quantities were made to some staff and directors on normal commercial terms.

C. Interest of Experts and Counsel

Not required.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please see Item 17 for a list of the financial statements filed as part of this Annual Report.

Legal Proceedings

The Company is not a party to any material legal proceedings, and was not a party to any material legal proceedings during 2003.



Dividend Policy

The Company paid one dividend in April 2003 amounting to A\$878,103. This compares to two dividends during 2002 that totaled A\$3,402,484 and one dividend in 2001 for A\$1,507,399, which was the Company's maiden dividend. In deciding whether to declare a dividend, the Company compares the amount of its profits to its anticipated cash needs for ongoing working capital, taxes and anticipated capital expenditures, and evaluates these factors in view of global environmental, political and market uncertainties. The Company has proposed it will not pay dividends during 2004.

B. Significant Changes

There have been no significant subsequent events following the close of 2003 up to the date of this Annual Report that are known to us and which require disclosure in this Annual Report.



ITEM 9. THE OFFER AND LISTING

Trading Market for American Depositary Receipts (ADRs)

The Shares trade in the United States in the form of ADRs issued by the Bank of New York. Each ADR represents a specified number of ADSs, which each evidence ownership of 20 Shares of the Company. On May 31, 1995, the Company's ADRs began trading on the over-the-counter bulletin board service of the National Association of Securities Dealers under the symbol APCFY. On September 12, 1996, the Company's ADRs were listed and began trading on the SmallCap Market of the National Association of Securities Dealers, Inc. under the symbol APCFY. The quotations set forth below represent the high and low closing bid prices of the Company's ADRs for the periods specified and, are inter-dealer quotations, without retail mark-ups, mark-downs or commissions, do not necessarily represent actual transactions, and may reflect only fluctuations in exchange rates between the United States Dollar and Australian Dollar:

For the Year Ended:	High Closing Bid Price	Low Closing Bid Price
	(US\$)	(US\$)
1999	5.00	1.66
2000	4.38	1.88
2001	4.09	2.00
2002	5.55	3.60
2003	4.91	2.65
For the Quarter Ended:	High Closing Bid Price	Low Closing Bid Price
	(US\$)	(US\$)
2002		
March 31	5.13	3.60
June 30	5.55	4.70
September 30	5.06	4.33
December 31	4.70	4.19
2003		
March 31	4.91	3.50
June 30	4.30	3.25
September 30	4.05	3.10
December 31	3.35	2.65
For the Month Ended:	High Closing Bid Price	Low Closing Bid Price
	(US\$)	(US\$)
December 31, 2003	3.35	3.06
January 31, 2004	3.76	3.35
February 28, 2004	4.19	3.50
March 31, 2004	4.19	2.88
April 30, 2004	3.35	3.01
May 31, 2004	2.90	2.70

**Trading Market for the Shares**

The principal non-United States trading market for the Shares is the Australian Stock Exchange. The Company cannot practicably determine what percentage of its Shares traded on the Australian Stock Exchange are held by U.S. persons. The quotations set forth below represent the high and low closing sales prices of the Company's Shares during the periods indicated:

For the Year Ended:	High Closing Sale Price	Low Closing Sale Price
	(A\$)	(A\$)
1999	0.39	0.12
2000	0.36	0.18
2001	0.42	0.18
2002	0.52	0.35
2003	0.40	0.20

For the Quarter Ended:	High Closing Sale Price	Low Closing Sale Price
	(A\$)	(A\$)
2002		
March 31	0.52	0.35
June 30	0.51	0.42
September 30	0.49	0.41
December 31	0.45	0.36
2003		
March 31	0.40	0.28
June 30	0.32	0.27
September 30	0.30	0.20
December 31	0.24	0.20

For the Months Ended:	High Closing Sale Price	Low Closing Sale Price
	(A\$)	(A\$)
December 31, 2003	0.22	0.20
January 31, 2004	0.24	0.21
February 28, 2004	0.28	0.22
March 31, 2004	0.26	0.20
April 30, 2004	0.22	0.19
May 31, 2004	0.20	0.185

ITEM 10. ADDITIONAL INFORMATION**A. Share Capital**

Not required.



B. Memorandum and Articles of Association

A description of the Company's Constitution is contained in Item 10B of its Annual Report on Form 20-F for the fiscal year ended December 31, 2001 (Registration No. 000-28186), which was filed with the Commission on July 18, 2002. Item 10B of the Company's 2001 Annual Report is incorporated by reference herein.

C. Material Contracts

Office Rental Agreement Denpasar Bali

In June 2003, Cendana entered into a rental agreement with Nyoman Ardana for the use of an office building of approximately 225 square meters located at Jalan Sekar Jepun V Nomor 21 Gatot Subroto Timur - Denpasar 80237 Bali Indonesia. This rental agreement is for a term of three years and four months. The annual rental is equivalent to A\$1,500 per annum and is paid in advance for the full term of the lease.

Production and Grow-out site, Penyabangan, North Bali

In December 2003, the Company obtained approval from the Indonesian authorities and the local village for the establishment of a water lease near the coastal village of Penyabangan in Northern Bali. The Company secured this lease to ensure its access to juvenile oyster production facilities in the area when the arrangement at Banyupoh ceases in 2005. In March 2004, another lease was granted by the local village for the exclusive use of a parcel of land adjacent to the ocean lease that was secured in December 2003. Development of this facility includes a low cost hatchery center, targeted for completion in 2004. The Company intends to develop the site to support its future boat building and other manufacturing/support activities for the more remote locations elsewhere in Indonesia. The agreements are for a term of 30-years in relation to 0.2 hectares of land and one hectare of ocean, with payments of approximately A\$15,000 paid up front and A\$200 payable per month for the term of the lease.

The Bacan Joint Production Agreement

In March 2004, the Company entered into a joint production agreement with Cahaya Cemerlang to access the leases and facilities located around Bacan Island in the province of North Maluku, Indonesia. In return for the use of the facilities and leases the Company funds and provides the technical input for the production of juvenile oysters. Oysters that are produced at this site are to be divided equally after the age of 6 months. Any oysters that are not removed from the site before 12 months are divided in the ratio of 70% to Cendana and 30% to Cahaya Cemerlang. The arrangement has a 5 year term and an option to extend if both parties agree at the end of the arrangement.

The Banyupoh Bali Hatchery Joint Venture

In July 2002, the Company entered into an agreement with Abadi for a 70% interest in a pearl oyster hatchery and associated sea leases in Northern Bali, Indonesia. The Company re-commissioned equipment from its original Kupang hatchery at minimal costs to use at this facility. The Company contributes 70% of all costs associated with the funding for the operation



and receives 70% of the production of juvenile pearl oysters from the operation. The agreement is for an initial term of three years until August 2005 with an option to extend the arrangement for an additional year if mutually agreed. At the end of the agreement term, the Company will take 70% of any shared assets or be compensated for those that are immovable. Most of the fixed assets that have been purchased are in the form of longlines, floats and nets that are used to accommodate the oysters, which are easily split. The portion of these that have been used by the Company will be dismantled and taken to the Company's nearby facility at Penyabangan. Staff employed by the joint entity perform the day-to-day functions of the facility, but are supervised by the Company. The staff persons hired to run this facility do not have separate tasks delegated to them. They work for both entities and the cost of their wages is paid from the joint funds contributed by the parties. See "Item 4.B. Business Overview – The Pearling Project" and Item 4.D. Information on the Company – Property, Plant and Equipment."

Lease agreement between the Company and Arrow Pearl Co Pty Ltd

On July 30, 2001, the Company entered into a lease agreement with Arrow Pearl Co Pty Ltd for office space at 6 Rous Head Road, North Fremantle, Western Australia. The lease arrangement commenced on September 1, 2001 and was for a period of two (2) years. Mr. Stephen Arrow is a director of both the Company and Arrow Pearl Co Pty Ltd. Pursuant to the terms of the lease, the rent was subject to increase based on annual changes in the Consumer Price Index. The Company paid the equivalent of A\$36,144 annually in monthly installments until June 30, 2004, when the Company relocated to new office space. See "Item 4.D. Information on the Company-Property, Plant and Equipment" and "Item 7. Major Shareholders and Related Party Transactions."

Pearl distribution agreement between the Company and Pearlautore International Pty Ltd

The Company appointed Pearlautore International Pty Ltd as its exclusive valuer and distributor of South Sea pearls on January 1, 2000. This agreement was scheduled to expire on December 31, 2003. The agreement automatically renewed in January 2004 on substantially the same terms for a period of two years, as neither party exercised its option to terminate the agreement. Pearlautore International Pty Ltd receives a commission of between 5% and 25% for cleaning, grading, valuing and selling the Company's pearls.

Employment agreement between the Company and Dr. Joseph James Uel Taylor

The Company and Dr. Taylor entered into an employment agreement effective September 1, 2001 and renewed it effective on January 1, 2004, pursuant to which Dr. Taylor serves as the Company's Managing Director. The Agreement provides for the payment of approximately A\$250,000 in salary per year. The agreement may be terminated by either party upon four months' notice. Dr. Taylor now resides in Indonesia and as such, part of his salary is paid by Cendana, and the balance is paid by Atlas Pacific Limited. The contract is bifurcated to reflect the payments from the different entities within the group.



Director's Access, Insurance and Indemnity Deed between the Company and each Director

On May 29, 2003, the Company entered into a contract with each of its directors whereby the Company indemnifies each director against all liabilities to another person (other than the Company or a related body corporate) that may arise from his position as a director, except where the liability arises out of conduct which involves negligence, default, breach of duty or a lack of good faith. The agreement states that the Company will pay the full amount of any such liabilities, including advancing amounts the director to pay for the costs and expenses of defending any such action.

Lease agreement between the Company and Mr. David Morrison

In June 2004, the Company entered into a lease agreement with Mr. David Morrison for office space at 43 York Street, Subiaco, Western Australia. The lease arrangement commenced on July 1, 2004 and is for a period of three (3) years. The Company will pay an amount of A\$18,000 per annum in equally monthly installments for the term of the lease. The lease has an option which allows the arrangement to be extended for an additional three (3) years under similar terms. The office space is approximately 275 square meters in area.

D. Exchange Controls and Other Limitations Affecting Security Holders

Australia has largely abolished exchange controls on investment transactions. The Australian dollar is freely convertible into U.S. dollars. In addition, there are currently no specific rules or limitations regarding the export from Australia of profits, dividends, capital, or similar funds belonging to foreign investors, except that certain payments to non-residents must be reported to the Australian Cash Transaction Reports Agency, which monitors such transactions.

The Australian Foreign Acquisitions Act (the "Act") sets forth limitations on the rights of non-Australian residents to own or vote the ordinary shares of an Australian company. The Act permits the Commonwealth Treasurer to examine acquisitions and arrangements that could result in foreign persons controlling an Australian business. The Commonwealth Treasurer may prohibit a proposed takeover if it would lead to a change of control of a business where the resultant control would be against the national interest. The Act contains divestiture provisions to ensure it can be enforced, as well as stringent monetary-penalty provisions for breaches and the making of false or misleading statements.

The Act requires the prior approval of the Commonwealth Treasurer for certain classes of persons to enter into an agreement to acquire shares of an Australian company, if, after the acquisition, such person or corporation would hold a substantial interest in such corporation, as explained herein. The foregoing approval requirement applies to the following classes of persons: (i) any natural person not ordinarily resident in Australia, (ii) any corporation in which either a natural person not ordinarily resident in Australia or a foreign corporation (as defined in the Act) holds a substantial interest, and (iii) two or more such persons or corporations which hold an aggregate substantial interest.

A person holds a "substantial interest" in a corporation if the holder alone or together with any associates (as defined in the Act) controls 15% or more of the voting power in the corporation or



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holds 15% or more of the issued shares in that corporation. Two or more persons hold an aggregate substantial interest in a corporation if they, together with any associates (as so defined), control 40% or more of the voting power, or own 40% or more of the issued shares, in such corporation.

The Act requires foreign persons or foreign-controlled entities to give 40 days' notice to the Commonwealth Treasurer of a proposal to acquire or increase (or offer to acquire or increase) a single interest of 15% or more of the ownership or voting power of an Australian company. If two or more foreign persons or foreign-controlled entities are acting together, the threshold is 40% in the aggregate.

The Constitution of the Company does not contain any additional limitations on a nonresident's right to hold or vote the Company's securities.

E. Taxation

The following discussion summarizes certain U.S. federal and Australian tax consequences of the ownership of Shares (or ADRs representing them) by a person ("U.S. Portfolio Stockholder") that: (i) is a citizen or resident of the U.S., a U.S. corporation or that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the Shares or ADRs; (ii) is not a resident of Australia for Australian tax purposes; (iii) has not, within the preceding 5 years, beneficially owned 10% of the issued capital or voting stock in the Company; and (iv) has not used the Shares or ADRs in carrying on a trade or business, wholly or partly through a permanent establishment in Australia.

The statements regarding U.S. and Australian tax laws set forth herein are based on those laws as in force on the date of this document and are subject to changes to those laws subsequent to the date of this document that may affect the tax consequences described herein (some of which may have retroactive effect). This summary is not exhaustive of all possible tax considerations and investors are advised to satisfy themselves as to the overall tax consequences, including specifically the consequences under U.S., state, local and other laws, of the acquisition, ownership and disposition of Shares or ADRs by consulting their own tax advisors.

Taxation of Gains on Sale

A U.S. Portfolio Stockholder is not subject to Australian income tax on the sale of its Shares or ADRs in the Company.

Passive Foreign Investment Company Status

The following discussion of "passive foreign investment companies" ("PFICs") is of particular interest for U.S. Portfolio Stockholders in 2002 whose holding period in their Shares or ADRs extends back to 1996.

A foreign corporation is classified as a passive foreign investment company (a "PFIC") in any year in which at least 75 percent of its gross income is passive income, or in which at least 50 percent of its assets produce passive income. Passive income includes interest income from cash holdings and profits from the sale of marketable securities, even if derived from an active



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business. During 1995 and 1996, substantially all of the Company's gross income was passive income derived from the sale of its investment securities and from interest income. Therefore, the Company has determined that it was a PFIC during 1995 and 1996. However, the Company has not been a PFIC since 1996. While no absolute assurance can be given, the Company believes that it most likely will have a sufficiently high percentage of non-passive gross income (sales minus cost of sales) derived from the sale of pearls, and sufficiently high percentage of assets producing non-passive income, for 2004 and for the foreseeable period thereafter, to avoid PFIC status in 2004 and for the foreseeable period thereafter.

However, under a special "once a PFIC – always a PFIC" rule contained in the Internal Revenue Code, if a foreign corporation is a PFIC during any year in which a U.S. shareholder owned shares or ADRs in that foreign corporation, that U.S. shareholder forever continues to be subject to the special adverse PFIC tax regime with respect to those ADRs or Shares, even if the foreign corporation is no longer a PFIC, unless a special "purging election" has been made. Thus, a U.S. Portfolio Stockholder who owned Shares or ADRs in 1996 will be subject to the special PFIC rules on gain from the sale of those Shares or ADRs, even if they are sold in 2004 or thereafter, and even if the Company is not a PFIC during 2004 and thereafter, unless that U.S. Portfolio Stockholder has made the special "purging" election. By contrast, a U.S. Portfolio Stockholder whose holding period in its Shares or ADRs began after 1996 will not be subject to the PFIC rules, if, as anticipated by the Company, the Company is no longer a PFIC during 2004 and thereafter.

Under the PFIC rules applicable in 2004 and thereafter to a U.S. Portfolio Stockholder who owned Shares or ADRs in 1996 but does not make a "purging election," that U.S. Portfolio Stockholder who sells the Shares or ADRs at a gain, whether in 2004 or thereafter, will be subject to a special additional tax. To compute this additional tax, (i) the gain is allocated ratably over the U.S. Portfolio Stockholder's holding period for the ADRs or Shares, (ii) the amount allocated to the current taxable year is taxed as ordinary income, and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year. Such a U.S. Portfolio Stockholder will also be subject to a special additional tax on certain excess distributions from the Company, will be denied a step-up in tax basis on Shares and ADRs on the death of a U.S. individual shareholder, and will be required to comply with burdensome annual reporting requirements.

A U.S. Portfolio Stockholder in 2004 who owned Shares or ADRs in 1996 could have avoided the "once a PFIC – always a PFIC" rule, and thus avoided the PFIC rules for post-1996 years, by making a "purging election." Additional information concerning the "purging election" is found in Treasury Regulation 1.1297-3T.

Another election that in some cases can reduce the adverse impact of the PFIC rules is the "qualified electing fund election." The qualified electing fund election would require the U.S. Portfolio Stockholder to provide an analysis of the Company's earnings on a U.S. tax basis, and the Company will not provide this analysis. Therefore, the Company expects that the "qualified electing fund" election will not be available to its U.S. Portfolio Stockholders.

Another election that in some cases is available to a U.S. shareholder of a PFIC is the "mark-to-market" election. Under this election, the excess of the fair market value of the PFIC stock at the



end of the tax year over its adjusted basis (as increased to reflect net previous inclusions of "mark-to-market" gains over previous "mark-to-market" losses) is included as ordinary income in the current year. Additional information concerning the "mark-to-market" election is contained in Treasury Regulations 1.1296-1 and 1.1296-2. There are some technical uncertainties as to the application of the "mark-to-market" rules for Atlas shares in 2004, due to the fact that Treasury Regulation 1.1296-1 applies to taxable years beginning on or after May 3, 2004, and due to some uncertainty as to the circumstances in which NASDAQ-traded ADR's of Australian Stock Exchange – traded companies qualify under Treasury Regulation 1.1296-2 to be subjects of the "mark-to-market" election.

The foregoing is a general summary of the implications of the PFIC rules. Special rules may apply to specific types of investors, such as dealers in securities. The PFIC rules have been amended frequently, and future amendments are quite possible. U.S. Portfolio Stockholders in 2004 whose holding period in its Shares or ADRs extends back to 1996 should consult their own tax advisers as to the potential application of the PFIC rules as well as the impact of any proposed legislation that could affect them.

Taxation of Dividends

The Company paid its maiden dividend in 2001 and paid dividends in 2002 and 2003.

In IRS Notices 2003-69, 2003-71, and 2003-79, the Internal Revenue Service set forth the criteria it would apply to determine if dividends paid by an Australian or other foreign corporation, such as the Company, can qualify for the reduced 2003-2008 individual U.S. tax rates (generally 15%) applicable to qualifying dividends. Under Notices 2003-69, 2003-71 and 2003-79, an Australian corporation is a "qualified foreign corporation" whose dividends can qualify for the reduced tax rate if the Australian corporation qualifies as a resident of Australia, and qualifies under the limitations of benefits clause, for the benefits of the Australian – U.S. income tax treaty. An Australian corporation can also qualify if the ADR on which the dividend is paid is readily tradable on NASDAQ or other established securities market in the U.S. Further, to pay qualifying dividends, the Australian corporation must not be, for the taxable year of the Australian corporation in which the dividend was paid, or the preceding taxable year, a foreign personal holding company, a foreign investment company, or a PFIC. Certain holding period requirements must also be met. With respect to individuals whose holding period in the Company stock began after the Company's 1996 PFIC year, the Company believes that its dividends can qualify for the reduced post-2002 individual tax rates applicable to qualifying dividends.

The Company's dividends to its U.S. Portfolio Stockholders would be exempt from Australian dividend withholding tax to the extent such dividends are considered to be "franked" for Australian tax purposes. A dividend is considered to be "franked" to the extent that such dividend is paid out of the Company's income on which Australian corporate tax has been levied. Even if not "franked," a dividend will be exempt from Australian dividend withholding tax if it is paid out of the Company's non-Australian-source dividend income and the Company specifies a "foreign dividend account declaration percentage" for such purpose. The Company anticipates that when it pays dividends, such dividends would likely be either "franked," or paid from the Company's non-Australian source dividend income as specified in the foreign dividend account declaration percentage, and therefore would be exempt from Australian dividend withholding tax.



If, however, dividends are paid by the Company that are not "franked," nor paid from the Company's non-Australian source dividend income as specified in the foreign dividend account declaration percentage, such dividend would then be subject to Australian dividend withholding tax. However, in accordance with the provisions of the Australia/United States Income Tax Treaty, Australian withholding tax on dividend income derived by a U.S. shareholder would be limited to 15% of the gross amount of the dividend. Subject to certain limitations, any Australian dividend withholding tax may be claimed as a credit against the federal income tax liability of the U.S. shareholder. The overall limitation on non-U.S. taxes eligible for U.S. credit is calculated separately with respect to specific classes, or "baskets" of income. For this purpose, dividends distributed by the Company will generally constitute "passive income" or, in the case of certain U.S. Portfolio Stockholders, "financial services income." The U.S. tax credits allowable with respect to each income basket cannot exceed the U.S. federal income tax payable with respect to such income. The consequences of the separate limitation calculation will depend on the nature and sources of each U.S. Portfolio Stockholder's income and the deductions allocable thereto.

Distributions on the Shares or ADRs will constitute dividends for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits of the Company, as determined for U.S. federal income tax purposes. If the Company pays a dividend, such dividend would likely be paid in Australian dollars. The amount of dividend income for a U.S. Portfolio Stockholder will be the U.S. dollar value of the dividend payment on the date of receipt, even if the dividend is not converted into U.S. dollars. Gain or loss, if any, realized on a sale or other disposition of Australian dollars will be ordinary income or loss to the U.S. Portfolio Stockholder. Dividends paid by the Company will not be eligible for the "inter-corporate dividends received" deduction allowed to U.S. corporations.

As mentioned above in connection with the PFIC discussion, an excess distribution by the Company on a Share or ADR that was owned by the U.S. Portfolio Stockholder recipient during 1996 or any subsequent year in which the Company is a PFIC may be subject to additional U.S. taxes. An excess distribution generally includes any annual distribution in excess of 125 percent of the average distributions received by the U.S. Portfolio Stockholder from the PFIC stock during the three preceding taxable years.

Estate and Gift Tax

Australia does not impose any estate, inheritance or gift taxes. Therefore, no Australian estate tax, inheritance tax or gift tax will be imposed on the death of, or upon a lifetime gift by, a U.S. Portfolio Stockholder.

F. Dividends and Paying Agents

Not required.

**G. Statement by Experts**

Not required.

H. Documents on Display

The Company files annual and semi-annual reports and other information with the SEC. You may read and copy any report or document the Company files, including the exhibits, at the SEC's public reference rooms located at 450 Fifth Street, N.W., Washington, D.C. 20549; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Such materials can also be obtained on the SEC's site on the internet at <http://www.sec.gov>.

The Company will also provide without charge to each person, including any beneficial owner, upon written or oral request of that person, a copy of any and all of the information that has been incorporated by reference in this Annual Report. Please direct such requests to the Managing Director, Atlas Pacific Limited, 43 York Street, Subiaco Western Australia 6008, telephone number (61) (8) 9380-9444 or facsimile number (61) (8) 9380-9970.

I. Subsidiary Information

Not required.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***Interest Rate Risk***

The following table sets forth the types of instruments held by the Company that are subject to fluctuation in interest rates as of December 31, 2003 and the terms of such instruments:

	Fair Value at Dec. 31, 2003	Fair Value at Dec. 31, 2002	Terms
	A\$	A\$	
Cash in hand and at bank	1,533,897	1,310,919	Current account with interest receivable at 3.83% (2002 – 4.49%) and cash on hand
Fixed Term Deposit	2,768,021	1,181,499	Interest receivable at 5.01% (2002 – 4.75%) maturing within one month
Bank Bond	—	1,027,390	Interest receivable (2002 – 5.23% maturing within nine months)
Bills of Exchange	—	2,600,000	Interest receivable (2002 – 4.80%) maturing within one month)
	<u>4,301,918</u>	<u>6,119,808</u>	

The carrying amount of trade accounts payable and trade accounts receivable approximate their fair values. See "Item 17. Financial Statements – Note 32– Additional Financial Instruments Disclosure."



The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:

	2003	2002
	A\$	A\$
Amounts receivable:		
Indonesia Rupiah	298,712	44,834
Japanese Yen	537,594	824,629
US Dollars	—	191,037
	<u>836,306</u>	<u>1,060,500</u>
Amounts Payable:		
Indonesia Rupiah	1,106,923	614,866
US Dollars	—	35,721
	<u>1,106,923</u>	<u>650,587</u>

Commodity Price Risk

The Company is subject to the risk of price changes in the pearl market. The market price of South Sea pearls is similarly determined at auctions held throughout the year, although some pearls are now being sold at private events in negotiated transactions. The prevailing market price is largely determined by the quality and the quantity of pearls available. This commodity price risk is not actively managed by the Company.

Foreign Currency Exchange Rate Risk

The Company's functional currency is Australian Dollars although a portion of the business is transacted in foreign currencies. The Company is exposed to foreign currency fluctuations as a result of operations in Indonesia and receipt of pearl sales proceeds predominantly in Japanese Yen.

The Company operates pearl farms in Indonesia. As a result a significant proportion of the Company's ongoing operating expenses are incurred in Indonesian Rupiah. Accordingly, the Company is exposed to the risk of adverse changes occurring in the Indonesian Rupiah/Australian Dollar exchange rate. The Company's investment in its Indonesian subsidiary is accounted for by the temporal method of foreign exchange conversion and gains and losses are taken in to the Company's current year's financial statements. The Company does not hedge against this investment.

Nearly all pearl sales are denominated in Japanese Yen. The Company has entered into foreign exchange contracts to hedge certain anticipated sale commitments denominated in foreign currencies, particularly Japanese Yen. The terms of these commitments are not more than 24 months. See "Item 17. Financial Statements - Note 32 to Financial Statements."

The net foreign exchange gain/(loss) incurred, as a result of movements of both the Japanese Yen and the Indonesian Rupiah against the Australian Dollar, in 2001, 2002 and 2003 was (A\$8,488), A\$187,284 and A\$525,344, respectively.



The Company's policy is to enter into forward foreign exchange contracts to hedge up to 70% and 40% of foreign currency sales expected within 12 and between 12 and 24 months, respectively. The amount of anticipated future sales is forecast in light of current conditions in foreign markets and experience in the pearling industry.

The following table sets forth the gross value in Australian Dollars to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Company (as of December 31):

	Weighted average exchange rate		Gross Value A\$	
	2003	2002	2003	2002
Sell Japanese Yen				
Settlement Period — Not later than one year	70.13	66.13	7,310,601	9,939,247
One to two years	70.81	64.62	500,000	1,500,000

These forward exchange contracts are hedging anticipated sales that are due within 24 months. Any unrealized gains and losses on the hedging contracts, together with the costs of the contracts, will be recognized in the financial statements at the time the underlying transaction occurs. The gross unrealized gains and losses as of December 31, 2003 and 2002 on hedges of foreign currency sales anticipated to take place in the future are set forth below:

	Gains A\$		Losses A\$	
	2003	2002	2003	2002
Expected Sale Year				
Not later than one year	922,729	172,174	—	(28,570)
One to two years	58,891	55,688	—	—

The future income of the Company may be adversely affected by adverse movements in the Japanese Yen/Australian Dollar exchange rate.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not required.

**PART II****ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

There has been no default of any indebtedness nor is there any arrearage in the payment of dividends.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

There have been no changes to the instruments defining the rights of the holders of any class of registered securities, and the rights of holders of the registered securities have not been altered by the issuance or modification of any other class of securities. There are no restrictions on working capital and no removal or substitution of assets securing any class of the Company's registered securities.

ITEM 15. CONTROLS AND PROCEDURES

- (a) Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") within the 90 day period preceding the filing date of this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures have been designed and are being operated in a manner that provides reasonable assurance that the information required to be disclosed by the Company in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.
- (b) There have been no significant changes (including corrective actions with regard to significant deficiencies or material weakness) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company's audit committee is made up of all of the members of the board of directors. None of these directors meets the definition of an audit committee financial expert, as defined for the purposes of Item 16A. of Form 20-F. The Company has determined the number of directors that make up the board, and therefore the audit committee, reflects the appropriate level of governance for a Company of this type and size. All of the audit committee members have experience with the financial management of a company and are familiar with the reports that are provided by management for the purpose of reporting the financial position of the business.



ITEM 16B. CODE OF ETHICS

The Company has not yet adopted a Code of Ethics relating to the conduct of the principal executive officer, the principal financial officer, the principal accounting officer or other officers who perform a similar role. All senior executives operate on the basis of trust and there is open discussion between the chairman and other directors and the senior management. The Company has a plan in place to develop such a code of conduct over the next 12 months. Until now, the resources needed to develop such a set of procedures has not been available.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed for the last two fiscal years for professional services rendered by the Company's auditor are as follows:

	2003	2002
Audit Fees		
Auditors of the Company	A\$40,890	A\$24,998
Auditors of the Company's subsidiaries	A\$12,776	A\$62,162
Tax Fees	A\$31,732(1)	A\$70,459

(1) This amount was paid to the former auditor of Cendana.

Audit Fees consist of fees for the audit of our financial statements, and those of our subsidiaries, and review of documents in connection with filings with the SEC and other statutory or regulatory filings. Audit-Related Fees consist of fees, other than Audit Fees, for assurances and related services that are reasonably related to the performance of the audit and review of our financial statements. Tax Fees consist of fees for services rendered for tax compliance, tax advice and tax planning. All Other Fees consist of financial consulting fees.

Our Board of Directors pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.



PART III

ITEM 17. FINANCIAL STATEMENTS

The following Financial Statements are filed as part of this Annual Report (refer to Appendix 1).

	Page Number
<u>Independent Auditor's Report</u>	F-1
<u>Statements of financial performance (Income Statement)</u>	F-2
<u>Statements of financial position (Balance Sheet)</u>	F-3
<u>Statement of cash flows</u>	F-4
<u>Notes to and forming part of the financial statements</u>	F-5

ITEM 18. FINANCIAL STATEMENTS

Not required.

ITEM 19. EXHIBITS

- | | |
|-----|---|
| 1.1 | Constitution ⁽⁶⁾ |
| 2.1 | Form of American Depositary Receipt (2(i)) ⁽¹⁾ |
| 2.2 | Form of Stock Certificate (2(ii)) ⁽¹⁾ |
| 2.3 | Deposit Agreement between the Company and the Bank of New York (As amended and filed with Form F-6) (2(iii)) ⁽¹⁾ |
| 4.1 | Loan Agreement between the Company and Nusantaraqua (3(B)(iii)) ⁽¹⁾ |
| 4.2 | Joint Funding Agreement between Nusantaraqua, Tansim and Cendana (3(B)(iv)) ⁽¹⁾ |
| 4.3 | Water lease dated March 11, 1993 between PT Perintis Ardindo Nusa and the Government of Nusa Tenggara Timur Province Fisheries Services, with English translation (3(B)(vi)) ⁽¹⁾ |
| 4.4 | Expansion to Water Lease dated March 10, 1995 between PT Perintis Ardindo Nusa and the Investment Coordination Board of the Badan Koordinasi Penanaman Modal, with English translation (3(B)(vii)) ⁽¹⁾ |
| 4.5 | Lease of 5 hectares of land dated October 6, 1992 between PT Perintis Ardindo Nusa and the Badan Pertanahan Nasional Sertipikat, with English translation (3(B)(viii)) ⁽¹⁾ |
| 4.6 | Lease of 0.3 hectares of land dated September 4, 1994 between Dr. T.P.G. Purchase and Mr. Paulus Bissilisin, with English translation (3(B)(ix)) ⁽¹⁾ |



- 4.7 Water leases dated January 9, 1998 between PT Cendana Indopearls and the Investment Coordination Board of the Badan Koordinasi Penanaman Modal, with English translation (2xx) ⁽²⁾
- 4.8 Land and water lease dated September 30, 1997 between the Company and the Kawe tribe at Selpale village with English translation (2xxiv) ⁽³⁾
- 4.9 Consultancy Agreement between the Company and Arrow Pearl Co Pty Ltd for training and technical expertise, dated March 3, 1999 (2xxiv) ⁽⁴⁾
- 4.10 Land lease dated July 1, 1999 between the Company and Korinus Ayelouw with English translation (2xxv) ⁽⁴⁾
- 4.11 Form of Director's Access, Insurance and Indemnity Deed between the Company and each director (2xxix) ⁽⁴⁾
- 4.12 Letter of Appointment of Pearlautore International Pty Ltd as exclusive valuer and distributor of Atlas Pacific Limited South Sea Pearls (2xxiii) ⁽⁵⁾
- 4.13 Memorandum of Understanding dated January 9, 2001 for the lease of the Kupang facilities between the Company and PT Timor Otsuki Mutiara (2xxiv) ⁽⁵⁾
- 4.14 Letter of Extension dated May 3, 2001 for Distribution Agreement with Pearlautore International Pty Ltd (4xxvi) ⁽⁶⁾
- 4.15 Joint Production Agreement dated July 2002 between the Company and PT Horiko Abadi for the joint operation of an oyster hatchery and associated sea leases in Banyupoh, Northern Bali, with English translation (4xix) ⁽⁷⁾
- 4.16 Employment Agreement dated November 18, 2002 between the Company and Mr. Jan Jorgensen (4xx) ⁽⁷⁾
- 4.17 Joint Production Agreement dated March 21, 2004 between PT Cendana Indopearls and PT Cahaya Cemerlang for the joint operation of an oyster hatchery and associated sea leases in Bacan Island in the North Maluku province of Indonesia (English translation) ⁽⁸⁾
- 4.18 Office lease dated May 20, 2003 between PT Cendana Indopearls and Nyoman Ardana and Wayan Kariami (English translation) ⁽⁸⁾
- 4.19 Water lease dated December 15, 2003 between PT Cendana Indopearls and the villagers of Pekraman Penyabengan, Sub-district of Gerokgak, Buleleng District, Bali (English translation) ⁽⁸⁾
- 4.20 Land lease dated March 1, 2004 between PT Cendana Indopearls and the villagers of Pekraman Penyabengan, Sub-district of Gerokgak, Buleleng District, Bali (English translation) ⁽⁸⁾



- 4.21 Employment Agreement dated December 30, 2003 between the Company and Dr. Joseph Taylor ⁽⁸⁾
- 4.22 Employment Agreement dated December 30, 2003 between PT Cendana Indopearls and Dr. Joseph Taylor ⁽⁸⁾
- 4.23 Office lease dated June 8, 2004 between the Company and Mr. David Morrison ⁽⁸⁾
- 8.1 List of Subsidiaries ⁽⁶⁾
- 12.1 Section 302 Certification of Chief Executive Officer ⁽⁸⁾
- 12.2 Section 302 Certification of Chief Financial Officer ⁽⁸⁾
- 13.1 Section 906 Certification of Chief Executive Officer ⁽⁸⁾
- 13.2 Section 906 Certification of Chief Financial Officer ⁽⁸⁾

- (1) Previously filed as an Exhibit of the number shown in parenthesis on the Registrant's Registration Statement on Form 20-F (File No. 0-28186) and incorporated herein by reference.
- (2) Previously filed as an Exhibit of the number shown in parenthesis to the Registrant's Annual Report on Form 20-F for the year ended December 31, 1996 and incorporated herein by reference.
- (3) Previously filed as an Exhibit of the number shown in parenthesis to the Registrant's Annual Report on Form 20-F for the year ended December 31, 1997 and incorporated herein by reference.
- (4) Previously filed as an exhibit of the number shown in parenthesis to the Registrant's Annual Report on Form 20-F for the year ended December 31, 1999 and incorporated herein by reference.
- (5) Previously filed as an exhibit of the number shown in parenthesis to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2000 and incorporated herein by reference.
- (6) Previously filed as an exhibit of the number shown in parenthesis to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2001 and incorporated herein by reference.
- (7) Previously filed as an exhibit of the number shown in parenthesis to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2002 and incorporated herein by reference.
- (8) Filed herewith.



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Page 1 of 1

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

ATLAS PACIFIC LIMITED

/s/ W F James

W.F. James,
Chairman

Dated: July 14, 2004



**ATLAS PACIFIC LIMITED AND ITS CONTROLLED ENTITIES
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have audited the accompanying balance sheets of Atlas Pacific Limited as of December 31, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

/s/ G.F. Brayshaw

BDO Chartered Accountants

Perth
Western Australia, Australia
July 15, 2004



Statements of financial performance
Atlas Pacific Limited and its Controlled Entities
For the years ended 31 December
(Australian Dollars)

	Note	CONSOLIDATED		
		2003 \$	2002 \$	2001 \$
Revenue from sale of goods	2	8,858,413	10,598,812	10,910,497
Other revenues from ordinary activities	2	778,980	742,636	425,487
Total revenue	2	9,637,393	11,341,448	11,335,984
Expenses from ordinary activities				
Cost of goods sold		(5,049,131)	(2,493,667)	(2,807,400)
Marketing expenses		(618,811)	(859,184)	(848,684)
Administration expenses		(1,629,004)	(2,013,500)	(1,179,915)
Borrowing costs	3	(124)	(3,295)	(345,154)
Other expenses from ordinary activities		(399,014)	(354,769)	(452,476)
Total expenses		(7,696,084)	(5,724,415)	(5,633,629)
Profit from ordinary activities before related income tax expense		1,941,309	5,617,033	5,702,355
Income tax expense relating to ordinary activities	4	(696,576)	(2,118,016)	(1,551,585)
Profit from ordinary activities after related income tax attributable to members of the parent entity	17	1,244,733	3,499,017	4,150,770
Basic earnings per share	5	0.0142	0.0423	0.0680
Diluted earnings per share	5	0.0142	0.0403	0.0510

The accompanying notes form part of these financial statements.



Statements of financial position
Atlas Pacific Limited and its Controlled Entities
As at 31 December
(Australian Dollars)

CONSOLIDATED				
	Note	2003 \$	2002 \$	2001 \$
Current assets				
Cash assets	6	4,301,918	6,119,808	5,355,354
Receivables	7	1,253,030	1,182,741	2,094,927
Inventories	8	3,333,948	2,924,061	1,082,324
Self-generating and regenerating assets	9	2,165,998	2,671,601	2,217,376
Total current assets		11,054,894	12,898,211	10,749,981
Non-current assets				
Receivables	7	—	—	—
Inventories	8	121,836	145,237	100,498
Self-generating and regenerating assets	9	8,406,627	8,203,530	7,489,891
Property, plant and equipment	11	2,458,214	2,194,935	2,302,436
Intangible assets	12	—	247,776	499,717
Deferred Tax Asset	4	150,563	25,792	21,607
Total non-current assets		11,137,240	10,817,270	10,414,149
Total assets		22,192,134	23,715,481	21,164,130
Current liabilities				
Payables	13	766,980	935,500	1,153,705
Interest-bearing liabilities	14	—	—	136,596
Current tax liabilities	4	—	1,720,422	1,534,461
Provisions	15	122,946	124,387	160,885
Total current liabilities		889,926	2,780,309	2,985,647
Non-current liabilities				
Interest-bearing liabilities	14	—	—	—
Deferred tax liabilities	4	406	—	1,877
Total non-current liabilities		406	—	1,877
Total liabilities		890,332	2,780,309	2,987,524
Net assets		21,301,802	20,935,172	18,176,606
Equity				
Contributed equity	16	18,849,092	18,849,092	16,183,065
Retained profits	17	2,452,710	2,086,080	1,993,541
Total equity		21,301,802	20,935,172	18,176,606

The accompanying notes form part of these financial statements.



Statement of cash flows
Atlas Pacific Limited and its Controlled Entities
For the years ended 31 December
(Australian Dollars)

	CONSOLIDATED		
	2003 \$	2002 \$	2001 \$
Cash flows from operating activities			
Proceeds from pearl and oyster sales	9,957,459	11,289,725	9,651,867
Proceeds from other operating activities	59,471	30,037	64,158
Interest paid	(124)	(7,731)	(466,272)
Interest and bill discounts received	169,096	364,886	199,181
Payments to suppliers	(6,972,312)	(7,734,691)	(6,258,041)
Income tax paid	(2,966,755)	(1,938,119)	(32,442)
Net cash provided by/(used in) operating activities (Note 22.2)	246,835	2,004,107	3,158,451
Cash flows from investing activities			
Advances to controlled entities	—	—	—
Payments for property, plant and equipment	(1,119,718)	(617,118)	(461,588)
Proceeds on disposal of fixed assets	115,849	15,828	—
Net cash provided by/(used in) investing activities	(1,003,869)	(601,290)	(461,588)
Cash flows from financing activities			
Dividend Payment	(878,103)	(3,402,484)	(1,570,399)
Receipts from conversion of options	—	2,556,365	—
Repayment of convertible notes	—	(22,498)	—
Net cash provided by/(used in) financing activities	(878,103)	(868,617)	(1,570,399)
Net increase/(decrease) in cash held	(1,635,137)	534,200	1,126,464
Cash at the beginning of the financial year	6,119,808	5,585,608	4,455,056
Effects of exchange rate changes on the balances of cash held in foreign currencies	(182,753)	—	4,088
Cash and term deposits at the end of the financial year (Note 22.1)	4,301,918	6,119,808	5,585,608

The accompanying notes form part of these financial statements.



ATLAS PACIFIC LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003, 2002 AND 2001
(Australian Dollars)

Statement of significant accounting policies

1.1 Basis of preparation

This general purpose financial report has been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements and the Corporations Act 2001.

The financial statements have been prepared under the historical cost convention and except where stated, they do not take into account changing money values or fair values of non-current assets. The accounting policies relating to the financial statements are consistent with those applied in the previous year unless otherwise stated.

1.2 Comparative amounts

Where necessary, the figures for the previous year have been reclassified to facilitate comparison.

1.3 Principles of consolidation

The financial statements of the economic entity comprise consolidated accounts of Atlas Pacific Limited and all controlled entities within the meaning of the Corporations Act. All intercompany balances and unrealized profits resulting from intra-group transactions have been eliminated.

Where a controlled entity is acquired during a year, its results are included only from the date of acquisition. Where there is loss of control of a controlled entity during a year, its results are included only for that period of the year during which the parent entity had control.

In the instance of the acquisition of a controlled entity, the cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value apportionment, at the date of acquisition, of the purchase consideration plus costs incidental to the acquisition.

1.4 Inventories

- (a) Pearls - quantity of pearls as harvested and processed are valued at the lower of cost or net market value.
- (b) Nuclei - quantities on hand at the year end are valued at cost.

1.5 Self-generating and regenerating assets (SGARAs)

The Consolidated Entity has applied AASB1037 Self-Generating and Regenerating Assets (SGARAs). The standard requires that all inventory which is a non-human living asset is to be treated separately from other inventory. SGARAs must be measured at net market value and the increment/(decrement) in net market values of the SGARAs is to be recognized as revenue/(expense) in the statement of financial performance.

The value of the SGARAs is only recognized when it can be measured reliably.

Pearls, although not a living organism, are a product of an oyster which is classified as a SGARA and as such, they too are classified as a SGARA at the time that they are harvested. In the opinion of the Directors, the most reliable valuation methodology for the pearls that are defined as a product of a SGARA is the net market value for the pearls based on the price at which they are sold by PT Cendana Indopearls to Atlas Pacific Ltd. Once the pearls are sold by PT Cendana Indopearls, they cease to become a SGARA under the definition in the accounting standard.



Oysters are a living organism which meet the definition of a SGARA. There is no market for pearl oysters by which a reliable valuation comparison of this category of the SGARA can be made. Given the uncertainty and risk that exists in the process of producing a pearl and other risk factors specific to the operations of the economic entity, the Directors believe that the most appropriate market valuation for the oysters is their cost of production to date. Cost is the total direct hatchery and farm operations and includes the cost of oyster purchases and nuclei used in seeding operations.

The details of the SGARAs that are held by the economic entity as at 31 December are provided at Note 9.

1.6 Revenue recognition

- (a) Sales Revenue – comprised of revenue earned from the sale of products or services to entities outside the consolidated entity. Sales revenue is recognized when the goods are provided or when the fee in respect of services provided is receivable.
- (b) Interest Income – recognized as it accrues.
- (c) Asset Sales Revenue – comprises 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.
- (d) Inventory Revaluation – in accordance with accounting standard AASB1037 Self-Generating and Regenerating Assets, any increase in the net market value of these assets are recognized as revenue at the time of the revaluation.

1.7 Investments

Long term investments are stated at cost or valuation, less a provision for diminution in value, as assessed by the Directors annually to ensure that the carrying amount is not in excess of recoverable amount. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

1.8 Valuation of non-current assets

In determining the recoverable amounts of non-current assets, the expected net cash flows arising from the continued use and subsequent disposal of those assets have not been discounted to their present value.

The carrying amount of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount and the write-down is included in the statement of financial performance.

1.9 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.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate		
	2003	2002	2001
Leasehold land & buildings & improvements	5-10%	5-10%	5-10%
Vessels	10%	10%	10%
Plant & equipment	20-50%	20-50%	20-50%



1.10 Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortized on a straight line basis over the period of 5 years. The balances are reviewed annually and any balance representing future benefits for which the realization is considered to be no longer probable are written off.

1.11 Foreign currency translations

(a) Translations

The Company considers that the operations of the Indonesian subsidiary are integrated with those of the parent entity and therefore the temporal method of accounting for foreign exchange conversion has been adopted, whereby,

- (i) monetary items are converted at the exchange rate applicable at the year end;
- (ii) other pearling project assets and liabilities are converted at the exchange rate applicable at the time of transaction, and
- (iii) gains and losses on transactions are taken to the current year's profit and loss account.

(b) Hedges

Gains or losses on hedges of specific commitments including those relating to the price of particular goods or services to be purchased or sold, are to be deferred and included in the measurement of the purchase or sale transaction.

1.12 Income tax

The liability method of tax-effect accounting has been adopted, whereby:

- (a) the income tax (expense)/benefit in the profit and loss account is determined by applying the current tax rate to operating profit/(loss) after allowing for permanent differences,
 - (b) a provision for deferred income tax is created for
 - (i) expenses which are currently deductible in determining taxable income but which have not been taken up in arriving at the operating profit, and
 - (ii) revenue which has been included in operating profit but which is not yet assessable for tax,
 - (c) a future income tax benefit is brought to account for
 - (i) expenses which have been taken up in arriving at the operating profit but are not currently deductible for income tax purposes, and
 - (ii) revenue which is currently assessable for tax but which has not yet been included in operating profit,
 - (iii) income tax losses carried forward.
- Future income tax benefits are not brought to account unless realization of the benefits is virtually certain.

Realization is contingent upon

- (i) deriving future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the losses to be realized,
- (ii) the company continuing to comply with the conditions for deductibility imposed by the law, and
- (iii) no changes in the legislation which would adversely affect realization of the benefit of the losses.

1.13 Bills of exchange

Bills of exchange have been purchased in the market at a discount to face value. The bills are carried at an amount representing cost and a portion of the discount recognized as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

1.14 Trade and other creditors

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



1.15 Trade and other debtors

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

1.16 Interests in joint ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint ventures are included in the appropriate items of the consolidated balance sheet and profit and loss account.

1.17 Employee entitlements

Provision is made for the Company'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.

Where the Company has granted options to employees, the costs incurred in administering this allocation are expensed as incurred. Other than these costs, the allocation does not result in any expense to the consolidated entity.

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

1.18 Derivatives

The consolidated entity is exposed to changes in foreign exchange rates from its activities. The consolidated entity uses forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure. The accounting for forward foreign exchange contract is set out in Note 1.11 (b).



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Page 1 of 1

Consolidated

	2003 \$	2002 \$	2001 \$
2. Revenue from ordinary activities			
Revenue from operating activities			
Sales revenue	8,858,413	10,598,812	10,910,497
Revenue from joint venture partners	—	85,922	162,148
Interest received – other parties	194,150	364,886	199,181
Net Foreign exchange gain	525,344	—	—
Total other revenues	4,294	227,904	—
	<u>9,582,201</u>	<u>11,277,524</u>	<u>11,271,826</u>
Revenue from outside operating activities			
Insurance proceeds received	—	—	11,128
Property rental	55,192	63,924	53,030
	<u>55,192</u>	<u>63,924</u>	<u>64,158</u>
Total revenue	<u>9,637,393</u>	<u>11,341,448</u>	<u>11,335,984</u>

3. Profit from ordinary activities before income tax expense

The operating result before income tax has been determined after charging/(crediting) the following items:			
Borrowing Costs			
Interest paid – other corporations	124	3,295	345,154
Operating lease rental costs	56,732	57,137	75,459
Movements in provisions			
Depreciation property, plant and equipment	26,914	17,566	10,617
Amortization of goodwill on acquisition of minority interest	247,777	251,941	249,858
Provision for employee entitlements	4,542	42,374	3,847
Net expense/(benefit) resulting from movement in provisions	279,233	311,881	264,322
Net foreign exchange (gain)/loss	(525,344)	(187,284)	8,488
Loss/(profit) on disposal of fixed assets	34,461	(15,828)	—



Consolidated

	2003 \$	2002 \$	2001 \$
4. Income tax			
a) Income Tax Expense			
Prima facie tax expense calculated at 30% on the profit from ordinary activities	582,393	1,685,110	1,710,705
Tax effect of permanent differences:			
Non deductible expenses	16,436	43,458	5,549
Restatement of closing trading stock	145,014	—	38,268
Amortization of goodwill	74,333	75,582	74,957
Foreign currency movements	(985,962)	293,404	—
Inventory valuation adjustment	3,839	—	159,170
Current year losses not brought to account	860,433	—	—
Prior year losses not previously recorded as future tax benefits recouped	—	(50,630)	(414,890)
(Future income tax benefit)/provision for deferred tax not previously brought to account	—	71,092	(22,174)
Income tax under/(over) provided in prior years	90	—	—
	<u>696,576</u>	<u>2,118,016</u>	<u>1,551,585</u>
Income tax expense attributable to profit from ordinary activities is made up of movements in:			
Current income tax provision	817,333	2,124,078	1,571,315
Deferred income tax provision	406	(1,877)	1,877
Future income tax benefit	(121,253)	(4,185)	(21,607)
Income tax under/(over) provided in prior years	90	—	—
	<u>696,576</u>	<u>2,118,016</u>	<u>1,551,585</u>
b) Current tax liability			
Provision for current income tax			
Balance at beginning of year	1,720,422	1,534,461	—
Income tax paid	(2,983,755)	(1,981,713)	(61,207)
Current year income tax provision	817,333	2,167,674	1,571,314
Foreign Currency movements	17,553	—	—
Under/(over) provision 2002	3,607	—	—
Taxes – Other	—	—	24,354
	<u>(424,840)</u>	<u>1,720,422</u>	<u>1,534,461</u>
c) Deferred tax liability			
Provision for deferred income tax at the applicable rate of 30%	406	—	1,877



Consolidated			
	2003 \$	2002 \$	2001 \$
4. Income tax (Cont.)			
d) Deferred Tax Asset			
Future income tax benefit at the applicable rate of 30%	150,563	25,792	21,607
Future income tax benefits not taken to account			
The potential benefits of which will be realized only if the conditions occur for deductibility (set out in Note 1.12), are as follows:			
- Capital losses (prior years)	924,638	304,247	304,247

The prior year losses recouped by the economic entity include losses for a subsidiary which were not previously available to the economic entity and therefore not previously recognized.

For details of the franking account, refer to Note 18.

Consolidated			
	2003 Cents	2002 Cents	2001 Cents
5. Earnings per share			
Basic earnings per share (cents per share)	1.42	4.23	6.80
Diluted earnings per share (cents per share)	1.42	4.03	5.10
	2003 \$	2002 \$	2001 \$
Earnings reconciliation			
Net profit used for basic earnings	1,244,733	3,499,017	4,150,770
After tax effect of dilutive securities	—	46,902	338,499
Diluted earnings	1,244,733	3,545,919	4,489,269
	2003 No.	2002 No.	2001 No.
Weighted average number of ordinary shares outstanding during the year used for calculation of basic earnings per share	87,810,254	82,724,884	61,013,243
Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earnings per share	87,810,254	87,910,235	88,026,526

Diluted earnings per share is calculated after taking into consideration all options and convertible notes on issue that remain unconverted at 31 December as potential ordinary shares.



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Page 1 of 1

Consolidated

	2003 \$	2002 \$	2001 \$
6. Cash assets			
Cash at bank	4,301,918	2,492,418	184,558
Bills of exchange	—	2,600,000	5,170,796
Bank bonds	—	1,027,390	—
	<u>4,301,918</u>	<u>6,119,808</u>	<u>5,355,354</u>
7. Receivables			
CURRENT			
Trade debtors	639,759	937,931	1,628,843
Sundry debtors & prepayments	613,271	244,810	466,084
	<u>1,253,030</u>	<u>1,182,741</u>	<u>2,094,927</u>
NON CURRENT			
Amount receivable from controlled entities	—	—	—
Provision for loss on loans	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
8. Inventories			
CURRENT			
Pearls	3,333,948	2,924,061	1,082,324
	<u>3,333,948</u>	<u>2,924,061</u>	<u>1,082,324</u>
NON CURRENT			
Nuclei	121,836	145,237	100,498
	<u>121,836</u>	<u>145,237</u>	<u>100,498</u>
Total inventory	<u>3,455,784</u>	<u>3,069,298</u>	<u>1,182,822</u>
9. Self-generating and regenerating assets (SGARs)			
CURRENT			
Oysters	2,165,998	2,671,601	2,217,376
	<u>2,165,998</u>	<u>2,671,601</u>	<u>2,217,376</u>
NON CURRENT			
Oysters	8,406,627	8,203,530	7,489,891
	<u>8,406,627</u>	<u>8,203,530</u>	<u>7,489,891</u>
Total SGARs	<u>10,572,625</u>	<u>10,875,131</u>	<u>9,707,267</u>



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

Nature of SGARAs: - Oysters (*Pinctada Maxima*)

Number	2003 No.	2002 No.	2001 No.
Held within the economic entities operations:			
Juvenile oysters which are not nucleated 362,940	697,468	384,622	362,940
Nucleated oysters	302,780	285,853	261,393
Other oysters used for broodstock, saibo tissue and research	8,348	3,219	2,314
Economic entities share held within joint operations:			
Nucleated oysters	—	1,715	37,318
Change increment in net market value during the financial year	\$ nil	\$ nil	\$ nil

Consolidated

2003 \$	2002 \$	2001 \$
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10. Investments

Controlled entities			
- unlisted shares (see Note 29)	—	—	—
Provision for diminution in value	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

11. Property, plant and equipment

(a) General			
Plant and equipment			
- at cost	77,393	74,107	65,600
- accumulated depreciation	(62,721)	(62,020)	(57,698)
	<u>14,672</u>	<u>12,087</u>	<u>7,902</u>
(b) Pearling project			
Leasehold land and buildings			
- at cost	1,236,544	907,266	814,770
- accumulated depreciation	(361,430)	(282,922)	(199,266)
	<u>875,114</u>	<u>624,344</u>	<u>615,504</u>
Plant and equipment, vessels, vehicles			
- at cost	6,097,114	5,690,261	5,174,146
- accumulated depreciation	(4,528,686)	(4,131,757)	(3,495,116)
	<u>1,568,428</u>	<u>1,558,504</u>	<u>1,679,030</u>
Total pearling project	<u>2,443,542</u>	<u>2,182,848</u>	<u>2,294,534</u>
Total property, plant and equipment	<u>2,458,214</u>	<u>2,194,935</u>	<u>2,302,436</u>



Included in Pearling Project leasehold land and buildings is \$414,223 (2002 - \$93,665, 2001 - \$17,547), being construction in progress at cost.

	Consolidated		
	2003 \$	2002 \$	2001 \$
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	12,087	7,902	11,025
Additions	9,763	8,507	7,494
Depreciation	(7,178)	(4,322)	(10,617)
Carrying amount at end of the year	14,672	12,087	7,902
(b) Pearling project			
Leasehold land and buildings			
Carrying amount at beginning of the year	624,344	615,504	638,213
Additions	329,278	99,572	50,569
Depreciation	(78,508)	(90,732)	(73,278)
Carrying amount at end of the year	875,114	624,344	615,504
Plant and equipment, vessels, vehicles			
Carrying amount at beginning of the year	1,558,504	1,679,030	1,959,046
Additions	780,677	516,115	403,525
Disposals	(150,311)	—	—
Depreciation	(620,442)	(636,641)	(683,541)
Carrying amount at end of the year	1,568,428	1,558,504	1,679,030



Consolidated

2003	2002	2001
\$	\$	\$

12. Intangible assets

Goodwill associated with acquisition of 25% investment in P.T. Cendana Indopearls – at cost	1,249,292	1,249,292	1,249,292
Accumulated amortization	(1,249,292)	(1,001,516)	(749,575)
	—	247,776	499,717

13. Payables

CURRENT			
Trade creditors	129,867	81,052	55,581
Other creditors	637,113	854,448	1,098,124
	766,980	935,500	1,153,705

14. Interest-bearing liabilities

CURRENT			
Interest due on convertible notes		—	4,436
Convertible notes		—	132,160
		—	136,596
NON CURRENT			
Convertible notes		—	—

On 22 March 1999, the Company issued 24,688,009 redeemable notes, each having a face value of 15 cents. The notes were convertible at the option of the holder, at any time up to 23 March 2002, into ordinary shares of the Company on the basis of one share for each note held.

15. Provisions

CURRENT			
Employee entitlements	122,946	124,387	160,885
Number of employees	12	13	17

Employee entitlements relate to holiday pay accrual for all employees of Atlas Pacific Ltd and all expatriate employees of PT Cendana Indopearls. There are no material accruals in relation to the 339 (2002 – 244, 2001 – 179) Indonesian employees of PT Cendana Indopearls.



Consolidated

2003	2002	2001
\$	\$	\$

16. Contributed equity

Issued and paid-up capital 87,810,254 ordinary shares (2002: 87,810,254 ordinary shares, 2001: 78,557,959 ordinary shares)	18,849,092	18,849,092	16,183,065
Reconciliation of Contributed Equity			
Balance at beginning of year	18,849,092	16,183,065	12,612,024
Shares issued			
2002 - 731,080 (2001 - 23,806,942) convertible notes with 15 cent face value converted	—	109,662	3,571,041
2002 - 8,521,215 options exercised at 30 cents each	—	2,556,365	—
Balance at end of year	18,849,092	18,849,092	16,183,065

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. Note 19 gives details of the shares that are reserved for issuance under option.

17. Retained profits

Reconciliation of Retained Earnings			
Balance at beginning of year	2,086,080	1,993,541	(586,830)
Net profit attributable to members of the parent entity	1,244,733	3,499,017	4,150,770
Dividends Paid	(878,103)	(3,406,478)	(1,570,399)
Balance at end of year	2,452,710	2,086,080	1,993,541



18. Dividends

Consolidated			
	2003 \$	2002 \$	2001 \$
Dividends paid and not provided for in previous years by the Company are:			
2003			
Paid 30 April 2003	1.0	878,103	100%
2002			
Paid 26 April 2002	2.0	1,650,274	50%
Paid 25 October 2002	2.0	1,756,204	100%
		<u>3,406,478</u>	
2001			
Paid 5 November 2001	2.0	1,570,399	Nil
		<u>1,570,399</u>	
	2003 \$	2002 \$	2001 \$
Dividend Franking Account			
Franking credits available to shareholders of the Company for subsequent financial years	2,692,687	2,042,723	194,488

19. Options

	2003 NO.	2002 NO.	2001 NO.
(a) Exercisable between 14 October 1999 and 14 October 2002 at 30 cents each			
Outstanding at beginning of year	—	8,062,500	8,062,500
Exercised during the year	—	(7,996,215)	—
Cancelled/forfeited during the year	—	(66,285)	—
Outstanding at year end	—	<u>8,062,500</u>	<u>8,062,500</u>



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Page 1 of 1

19. Options (Cont.)

	2003 No.	2002 No.	2001 No.
(b) Exercisable between 1 January 2001 and 31 December 2002 at 30 cents each. Outstanding at beginning of year	—	525,000	800,000
Exercised during the year	—	(525,000)	—
Cancelled/Forfeited during the year	—	—	(275,000)
Outstanding at year end	—	—	525,000
(c) Exercisable between 1 January 2001 and 1 January 2003 at 42 cents each. Outstanding at beginning of year	—	—	200,000
Issued during the year	—	—	—
Cancelled/Forfeited during the year	—	—	(200,000)
Outstanding at year end	—	—	—
(d) Exercisable between 1 January 2002 and 1 January 2004 at 34.5 cents each. Outstanding at beginning of year	—	—	—
Issued during the year	—	—	170,000
Cancelled/Forfeited during the year	—	—	(170,000)
Outstanding at year end	—	—	—
Total number of options outstanding at year-end.	—	—	8,587,500

20. Commitments

The current leases for the Company's office premises have expired. Commitments for lease payments contracted for but not provided for are as follows:

	2003 \$	2002 \$	2001 \$
Not longer than one year	—	27,108	35,000
1-2 years	—	—	26,250
	—	27,108	61,250

**21. Contingent liabilities**

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

22. Notes to the statement of cash flows**22.1 Reconciliation of cash**

For the purposes of the statement of cash flows, 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 statement of cash flows is reconciled to the related items in the balance sheet as follows:-

	Consolidated		
	2003 \$	2002 \$	2001 \$
Cash at bank (Note 6)	4,301,918	2,492,418	184,558
Bills of exchange (Note 6)	—	2,600,000	5,170,796
Bank bonds (Note 6)	—	1,027,390	—
Cash per balance sheet	—	6,119,808	5,355,354
Short term deposits (Note 7)	—	—	230,254
Cash and cash equivalents	4,301,918	6,119,808	5,585,608

22.2 Reconciliation of net cash from operating activities to Operating profit after income tax

Operating profit after income tax	1,244,733	3,499,017	4,150,770
Inventories	699,007	(3,054,338)	(2,002,298)
Increase/(decrease) in interest accrual	(25,055)	(4,436)	(121,118)
Non cash changes in debtors, prepayments and creditors	(914,350)	459,732	(1,422,297)
Provision for depreciation	706,129	724,619	699,606
Provision for employee entitlements	(2,063)	(36,499)	3,848
Amortization of goodwill	247,776	251,941	249,858
(Profit)/loss on disposal of fixed assets	34,461	(15,828)	—
Increase/(decrease) in taxes payable	(1,942,954)	179,899	1,536,338
Foreign exchange differences	199,151	—	63,744
Net cash provided by/(used in) operating activities	246,835	2,004,107	3,158,451

**22.3 Credit facilities**

The Company has no overdraft or credit facilities at 31 December 2003.

23. Directors' remuneration

Amounts received or due and receivable by Directors of the Company	445,470	454,756	524,108
	2003 No.	2002 No.	2001 No.
Number of Directors of Atlas Pacific Limited whose remuneration was:			
\$10,000 to \$19,999	1	1	3
\$30,000 to \$39,999	3	2	2
\$40,000 to \$49,999	—	1	1
\$50,000 to \$59,999	—	1	—
\$60,000 to \$69,999	1	1	—
\$110,000 to \$119,999	—	—	1
\$180,000 to \$189,999	—	1	—
\$210,000 to \$219,999	—	—	1
\$260,000 to \$269,999	1	—	1

24. Related party transactions**DIRECTORS**

The names of each person holding the position of director of Atlas Pacific Limited during the financial year are Messrs S.J. Arrow, W.F. James, A.M. Kerr, R.P. Poernomo, G.R.W. Snow and J.J.U. Taylor.

Details of Directors' remuneration are set out in note 23.

DIRECTORS TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

Admiral R.P. Poernomo received a fee on normal commercial terms of the equivalent of \$47,255 (2002 - \$37,095) for providing office facilities and administration services for the Company's Indonesian subsidiary in Jakarta, Indonesia.

The Company has an agreement with Arrow Pearling Co Pty Ltd, a company of which Mr. S.J. Arrow is Managing Director and major shareholder, to sub-lease office space on commercial terms. Rent of \$36,430 (2002 \$35,000) was paid during the year.

The Company also has a consultancy agreement with Arrow Pearling Co Pty Ltd under which staff of the economic entity are trained as pearl operation technicians at the Indonesian pearl farm. During the year, \$177,566 (2002 - \$232,061) 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 2003.

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



DIRECTORS' HOLDINGS OF SHARES AND SHARE OPTIONS

The aggregate number of shares, share options and convertible notes held directly, indirectly or beneficially in the Company by Directors or their director-related entities at December 31 :

	2002 Number	2002 Number	2001 Number
Ordinary shares	16,043,678	18,665,308	18,256,693
Options – expired 14 October 2002	—	—	3,352,335
Options – expired 31 December 2002	—	—	200,000

(Note: The holdings of retired Directors are not included in this disclosure for 2003)

DIRECTORS' TRANSACTIONS IN SHARES AND SHARE OPTIONS

During the year 56,944 (2002: 3,173,147) shares held directly or indirectly by Directors were sold.

During the year no options were exercised by the Directors or their Director related entities (2002: 3,552,335)

TRANSACTIONS WITH NON-DIRECTOR RELATED PARTIES

The Company purchases pearls from its wholly owned controlled entity P.T. Cendana Indopearls. These transactions are in the normal course of business.

Consolidated		
2003 \$	2002 \$	2001 \$

25. Remuneration of executives

Income received or due and receivable by Australian based executive officers (including executive directors) of the economic entity, from all entities in the economic entity and any related entities.	262,473	180,000	353,483
	No.	No.	No.
The number of executive officers whose income was within the following bands			
\$140,000 - \$149,999	—	—	1
\$180,000 - \$189,999	—	1	—
\$200,000 - \$209,999	—	—	—
\$210,000 - \$219,999	—	—	1
\$260,000 - \$269,999	1	—	—

It is the opinion of the Board that none of the company's existing offices other than the Managing Director meet the definition of Executive Officer under Section 9 of the Corporations Act 2001.



26. Remuneration of auditors

	2003 \$	2002 \$	2001 \$
Amounts received or due and receivable by the auditors for:			
Auditing or reviewing financial statements			
Auditors of the Company	17,513	24,998	15,750
Other auditors	12,776	62,162	47,041
	<u>30,289</u>	<u>87,160</u>	<u>62,791</u>
Other Services			
Auditors of the Company	23,377	—	7,764
Other auditors	31,732	70,459	55,269
	<u>55,109</u>	<u>70,459</u>	<u>63,033</u>

27. Segment reporting

(a) Business

The economic entity operates predominantly in the pearling industry in the geographic regions of Australia and Indonesia. Unallocated items represent amounts that do not directly relate to the pearling activities.

(b) Geographical

	Indonesia \$	Australia \$	Eliminations \$	Total \$
2003				
Revenue				
External segment revenue	54,521	8,803,892	—	8,858,413
Inter-segment revenue	5,875,549	—	(5,875,549)	—
Total segment revenue	<u>5,930,070</u>	<u>8,803,892</u>	<u>(5,875,549)</u>	<u>8,858,413</u>
Other unallocated revenue				778,980
Total revenue				<u>9,637,393</u>
Result				
Segment result	233,950	3,002,940	(483,381)	2,753,509
Unallocated corporate expenses				(812,200)
Profit from ordinary activities before income tax				<u>1,941,309</u>
Income tax expense				(696,576)
Net profit				<u>1,244,733</u>
Depreciation and amortization	<u>946,726</u>	<u>7,179</u>	<u>—</u>	<u>953,905</u>
Other non-cash expenses	2,842	1,700	—	4,542
Assets				
Segment assets	13,688,492	3,843,809	—	17,532,301
Unallocated corporate assets	248,550	4,411,283	—	4,659,833
Consolidated total assets	<u>13,937,042</u>	<u>8,255,092</u>	<u>—</u>	<u>22,192,134</u>



(b) Geographical (cont)

	Indonesia \$	Australia \$	Eliminations \$	Total \$
2003				
Liabilities				
Segment liabilities	623,083	181,328	—	804,411
Unallocated corporate liabilities	7,171	78,750	—	85,921
Consolidated total liabilities	630,254	260,078	—	890,332
Acquisitions of non-current assets (Property, Plant and Equipment)	1,109,955	—	—	1,109,955
Unallocated acquisitions of non-current assets				9,763
				1,119,718
	Indonesia \$	Australia \$	Eliminations \$	Total \$
2002				
Revenue				
External segment revenue	103,417	10,603,213	—	10,706,630
Inter-segment revenue	5,069,768	—	(5,069,768)	—
Total segment revenue	5,173,185	10,603,213	(5,069,768)	10,706,630
Other unallocated revenue				634,818
Total revenue				11,341,448
Result				
Segment result	349,363	6,574,753	(291,034)	6,633,082
Unallocated corporate expenses				(1,016,049)
Profit from ordinary activities before income tax				5,617,033
Income tax expense				(2,118,016)
Net profit				3,499,017
Depreciation and amortization	988,459	4,516		992,975
Other non-cash expenses	17,488	24,886		42,374
Assets				
Segment assets	13,537,058	3,743,913	247,776	17,528,747
Unallocated corporate assets	200,426	5,986,308	—	6,186,734
Consolidated total assets	13,737,484	9,730,221	247,776	23,715,481



(b) Geographical (continued)

	Indonesia \$	Australia \$	Eliminations \$	Total \$
Liabilities				
Segment liabilities	699,147	291,946		991,093
Unallocated corporate liabilities	407,776	1,381,440		1,789,216
Consolidated total liabilities	1,106,923	1,673,386		2,780,309
2002				
Acquisitions of non-current assets	615,687	—	—	615,687
Unallocated acquisitions of non-current assets				8,507
				624,194
	Indonesia \$	Australia \$	Eliminations \$	Total \$
2001				
Revenue				
External segment revenue	204,742	10,867,903	—	11,072,645
Inter-segment revenue	3,720,940	—	(3,720,940)	—
Total segment revenue	3,925,682	10,867,903	(3,720,940)	11,072,645
Other unallocated revenue				263,339
Total revenue				11,335,984
Result				
Segment result	1,607,377	6,869,103	(1,779,783)	6,696,697
Unallocated corporate expenses				(994,342)
Profit from ordinary activities before income tax				5,702,355
Income tax expense				(1,551,585)
Net profit				4,150,770
Depreciation and amortization	949,464	10,617	—	960,081
Other non-cash expenses	(13,206)	17,053	—	3,847
Assets				
Segment assets	12,375,517	2,647,758	499,717	15,522,992
Unallocated corporate assets	30,777	5,610,361	—	5,641,138
Consolidated total assets	12,406,294	8,258,119	499,717	21,164,130



(b) Geographical (continued)

	Indonesia \$	Australia \$	Eliminations \$	Total \$
2001				
Liabilities				
Segment liabilities	813,915	448,616	—	1,262,531
Unallocated corporate liabilities	—	1,724,993	—	1,724,993
Consolidated total liabilities	813,915	2,173,609	—	2,987,524
Acquisitions of non-current assets	454,094			454,094
Unallocated acquisitions of non-current assets				7,494
				461,588

28. Economic dependency

The company's pearls are sold at auction and by private treaty sales through a distribution arrangement with Pearlantore International Pty Ltd in Sydney. Pearls at the auctions 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.

29. Controlled entities

	% owned			Place of incorporation	Book value of Company's investment		
	2003	2002	2001		2003 \$	2002 \$	2001 \$
Sharcon Pty Ltd	100%	100%	100%	Australia	—	—	—
Tansim Pty Ltd	100%	100%	100%	Australia	—	—	—
P.T. Cendana Indopearls	100%	100%	100%	Indonesia	—	—	—
					—	—	—

The ultimate parent entity, Atlas Pacific Limited, is incorporated in Australia.

30. Post balance date events

There have been no significant post balance date events.

**31. Amounts payable/receivable in foreign currencies**

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:

	CONSOLIDATED		
	2003 \$	2002 \$	2001 \$
Amount receivable:			
Indonesian Rupiah	298,712	44,834	9,304
Japanese Yen	537,594	824,629	1,628,843
US Dollars	—	191,037	98,642
	<u>836,306</u>	<u>1,060,500</u>	<u>1,736,789</u>
Amounts payable:			
Indonesian Rupiah	(1,106,923)	(614,866)	(619,221)
US Dollars	—	(35,721)	(102,513)
	<u>(1,106,923)</u>	<u>(650,587)</u>	<u>(721,734)</u>

32. Additional financial instruments disclosure**(a) Net fair value of financial assets and liabilities**

The net fair value of cash, cash equivalents and no-interest bearing monetary financial assets and liabilities approximates their carrying value.

(b) Interest rate risk

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the economic entity intends to hold fixed rate assets and liabilities to maturity.



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Page 1 of 1

	Note	Weighted average interest rate %	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Non interest bearing \$	Total \$
2003						
Financial Assets						
Cash	6	4.59	1,515,306	2,768,021	18,591	4,301,918
Receivables	7	0.00	—	—	1,253,030	1,253,030
			<u>1,515,306</u>	<u>2,768,021</u>	<u>1,271,621</u>	<u>5,554,948</u>
Financial Liabilities						
Payables	13	0.00	—	—	(766,980)	(766,980)
			<u>—</u>	<u>—</u>	<u>(766,980)</u>	<u>(766,980)</u>
Net Financial Asset/(Liabilities)			<u>1,515,306</u>	<u>2,768,021</u>	<u>504,641</u>	<u>4,787,968</u>
2002						
Financial Assets						
Cash	6	4.80	1,273,827	4,808,889	37,092	6,119,808
Receivables	7	0.00	—	—	1,182,741	1,182,741
			<u>1,273,827</u>	<u>4,808,889</u>	<u>1,219,833</u>	<u>7,302,549</u>
Financial Liabilities						
Payables	13	0.00	—	—	(935,500)	(935,500)
			<u>—</u>	<u>—</u>	<u>(935,500)</u>	<u>(935,500)</u>
Net Financial Asset/(Liabilities)			<u>1,273,827</u>	<u>4,808,889</u>	<u>284,333</u>	<u>6,367,049</u>
2001						
Financial Assets						
Cash	6	4.41	175,379	5,170,796	9,179	5,355,354
Receivables	7	0.48	—	230,254	1,864,673	2,094,927
			<u>175,379</u>	<u>5,401,050</u>	<u>1,873,852</u>	<u>7,450,281</u>
Financial Liabilities						
Payables	13	0.00	—	—	(1,153,705)	(1,153,705)
Convertible notes	14	12.50	—	(136,596)	—	(136,596)
			<u>—</u>	<u>(136,596)</u>	<u>(1,153,705)</u>	<u>(1,290,301)</u>
Net Financial Asset/(Liabilities)			<u>175,379</u>	<u>5,264,454</u>	<u>720,147</u>	<u>6,159,980</u>



CONSOLIDATED				
	Note	2003 \$	2002 \$	2001 \$
Reconciliation of net financial assets to net assets				
Net financial assets/(liabilities) as above		4,787,968	6,367,049	6,159,980
Non-financial assets & liabilities				
- Inventories	8	3,455,784	3,069,298	1,182,822
- SGARA's	9	10,572,625	10,875,131	9,707,267
- Property, plant & equipment	11	2,458,214	2,194,935	2,302,436
- Intangibles	12	—	247,776	499,717
- Tax liability/benefit (net)	4	150,157	(1,694,630)	(1,514,731)
- Provisions	15	(122,946)	(124,387)	(160,885)
Net assets per balance sheet		21,301,802	20,935,172	18,176,606

(c) Foreign Exchange Risk

The consolidated entity has entered into foreign exchange contracts to hedge certain anticipated sale commitments denominated in foreign currencies, particularly Japanese Yen. The terms of these commitments are not more than 15 months.

The consolidated entity's policy is to enter into forward foreign exchange contracts to hedge a proportion of foreign currency sales expected in the future. The amount of anticipated future sales is forecast in light of current conditions in foreign markets and experience in the pearling industry.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

	2003	2002	2001	2003	2002	2001
	Weighted average rate			AUD	AUD	AUD
Sell Japanese Yen						
Not later than one year	70.13	66.13	62.93	7,310,601	9,939,247	3,343,802
One to two years	70.81	64.62	—	500,000	1,500,000	—



These forward exchange contracts are hedging anticipated sales that are due within 15 months. Any unrealized gains and losses on the hedging contracts, together with the costs of the contracts, will be recognized in the financial statements at the time the underlying transaction occurs. The gross unrecognized gains and losses on hedges of anticipated foreign currency sales for the consolidated entity are as follows:

	2003		2002		2001	
	Gains AUD	Losses AUD	Gains AUD	Losses AUD	Gains AUD	Losses AUD
Not later than one year	922,729	—	172,174	(28,570)	205,610	—
One to two years	58,891	—	55,688	—	—	—

(d) Credit risk exposure

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet, other than investments in shares, is the carrying amount, net of any provision for doubtful debts. The consolidated entity minimises concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries.

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

33. Significant differences between Australian GAAP and US GAAP

The above referred to standards and requirements differ in certain respects from US GAAP. However, the differences which had a significant effect on the consolidated net income and shareholders equity of Atlas Pacific Ltd in previous years no longer exist, due to changes in the accounting conventions used in the Company's Australian accounts. While this is not a comprehensive summary of all differences between Australian Accounting Practice (Australian GAAP) and US GAAP, other differences are not likely to have a significant effect on the consolidated net income or shareholders equity of the group.

The figures for 2001 have been restated to reflect the fair value of a foreign currency derivative instrument and compensation related to stock options issued to employees. In prior periods, these US GAAP differences were not reflected. These differences resulted in a \$230,078 increase in net income, a \$277,328 increase in equity and a \$277,328 increase in total assets.



The effect on the statement of performance and the statement of position from the adjustments that are required to reflect US GAAP for the above stated accounts are as follows:

	YEARS ENDED 31 DECEMBER		
	2003	2002	2001
STATEMENT OF PERFORMANCE			
Net income under Australian GAAP	1,244,733	3,499,017	4,150,770
33.2 Amortization of Goodwill	247,777	251,941	—
33.4 Stock Option issue to employees	—	(36,400)	(47,250)
33.5 Change in Fair Value of Derivative Instruments	782,327	(6,316)	133,892
33.8 Capitalisation of Administration Expenses to Inventory	426,448	487,022	(170,962)
Net income before cumulative effect of change in Accounting Principal under US GAAP	2,701,285	4,195,264	4,066,450
Cumulative effect of change in Accounting Principal	—	—	71,718
Net income under US GAAP	2,701,285	4,195,264	4,138,168

	YEARS ENDED 31 DECEMBER		
	2003	2002	2001
STATEMENT OF POSITION			
Equity			
Australian GAAP	21,301,802	20,935,172	18,176,606
33.2 Goodwill	499,718	251,941	—
33.5 Financial Instruments	981,620	199,292	205,610
33.8 Capitalisation of Administration Expenses to Inventory	(168,508)	(594,956)	(1,081,978)
US GAAP	22,614,632	20,791,449	17,300,238
Total Assets			
Australian GAAP	22,192,134	23,715,481	21,164,130
33.2 Goodwill	499,718	251,941	—
33.5 Financial Instruments	981,620	199,292	205,610
33.8 Capitalisation of Administration Expenses to Inventory	(168,508)	(594,956)	(1,081,978)
US GAAP	23,504,964	23,571,758	20,287,762

33.1 DEVELOPMENT COST

Under Australian GAAP, development costs such as those relating to the establishment of a pearl farm, can be capitalized and amortized when commercial production is achieved. For US GAAP purposes, such research and development cost is written off when incurred. In 1997, the Company wrote off all development costs incurred to date as an abnormal item, and therefore the Company's accounting treatment of these costs is now consistent with US GAAP.

33.2 GOODWILL

Under Australian GAAP, goodwill relating to the acquisition of a business is written off on a straight line basis over the period during which the benefits of the goodwill are expected to arise which cannot be greater than 20 years. Effective from 1 January 2002, goodwill may not be amortized under US GAAP. Consequently, there is an adjustment required to the accounts and this is reflected as described in note 33 above.

**33.3 VALUATION OF INVENTORY**

For US GAAP purposes inventory is valued at the lower of cost or fair market value. Australian GAAP requires inventory to be valued at the lower of cost and net of realizable value. For the purpose of preparation of the primary financial statements, no difference exists between the different methods of valuing inventory.

Under Australian GAAP, special disclosures are required in relation to inventory which is classified as a Self-Generating or Regenerating Asset (SGARA). This disclosure is included in the annual report but has not effect on the accounting treatment of the inventory for the Company.

33.4 STOCK OPTION ISSUES

During 2000, the Company repriced its stock options from A\$0.40 to A\$0.30, the then quoted market price. Under US GAAP, these options are accounted for as variable options from that time forward and must be marked to market through income until they are exercised, forfeited, or expire.

Exercise price of options: A\$0.30

	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Number of options on issue	—	— ¹	525,000 ²
Share Price (December 31)		A\$ 0.390	A\$ 0.390
March 28, 2002		A\$ 0.460	
April 19, 2002		A\$ 0.495	
September 30, 2002		A\$ 0.425	
Change in value attributed to options	N/A	A\$ 36,400	A\$ 47,250

- (1) 525,000 options exercised during 2002-
175,000 – March 28, 2002
170,000 – April 19, 2002
180,000 – September 30, 2002
- (2) 275,000 options forfeited during 2001.

33.5 GAINS AND LOSSES ON FOREIGN EXCHANGE CONTRACTS

In accordance with FAS 133 US GAAP requires that the loss or gain on Forward Exchange Contracts (FEC's) noted in Note 32 above must be recognized in the statement of performance of the Company. The adjustment to the statement of performance and statement of position has been recognized from January 1, 2001 and this difference is as follows:

	2003 \$	2002 \$	2001 \$
Fair Value of Forward Exchange Contracts	981,620	199,292	205,610
Gain/(Loss) from Forward Exchange Contracts	782,327	(6,318)	205,610

FAS 133 was required to be adopted from January 1, 2001 and therefore a cumulative effect of change in accounting principal was booked upon adoption.



33.6 EARNINGS PER SHARE

The calculation of diluted earnings per share under US GAAP differs from that under Australian GAAP. Under US GAAP common stock equivalents are not included in diluted earnings per shares unless they are considered dilutive. Also, under US GAAP the treasury stock method is used to calculate the dilutive effect of stock options.

	YEARS ENDED 31 DECEMBER		
	2003 (cents)	2002 (cents)	2001 (cents)
Basic Earnings per share under			
Aust GAAP	1.42	4.23	6.80
US GAAP (before cumulative effect of change in Accounting Principal)	3.08	5.07	6.66
US GAAP (after effect of change in Accounting Principal)	3.08	5.07	6.78
Earnings per ADR under US GAAP - 20 shares equivalent to 1 ADR			
before change in Acc. Princ.	61.53	101.43	133.30
after change in Acc. Princ.	61.53	101.43	135.60
Diluted Earnings per share under			
Aust GAAP	1.42	4.03	5.10
US GAAP (before cumulative effect of change in Accounting Principal)	3.08	4.70	5.42
US GAAP (after effect of change in Accounting Principal)	3.08	4.70	5.51
Earnings per ADR under US GAAP - 20 shares equivalent to 1 ADR			
before change in Acc. Princ.	61.53	94.03	108.47
after change in Acc. Princ.	61.53	94.03	110.20
Reconciliation of Diluted Earnings			
Before cumulative effect of change in Accounting Principal			
Net Profit - Basic EPS (USGAAP)	2,701,285	4,195,264	4,066,450
Add Back Interest on Convertible Notes		2,276	241,838
Net Profit - Diluted EPS (US GAAP)	2,701,285	4,197,538	4,308,288
Outstanding Shares - Basic EPS	87,810,254	82,724,884	61,013,243
Add dilutive options (US GAAP)	—	6,535,281	—
Add dilutive convertible notes (US GAAP)	—	24,494	18,425,783
Outstanding Shares - Diluted EPS (US GAAP)	87,810,254	89,284,659	79,439,026



YEARS ENDED 31 DECEMBER

	2003 (cents)	2002 (cents)	2001 (cents)
After cumulative effect of change in Accounting Principal			
Net Profit – Basic EPS (US GAAP)	2,701,285	4,195,264	4,138,168
Add Back Interest on Convertible Notes	—	2,276	241,838
Net Profit – Diluted EPS (US GAAP)	2,701,285	4,197,538	4,380,006
Outstanding Shares – Basic EPS	87,810,254	82,724,884	61,013,243
Add dilutive options (US GAAP)	—	6,535,281	—
Add dilutive convertible notes (US GAAP)	—	24,494	18,425,783
Outstanding Shares – Diluted EPS (US GAAP)	87,810,254	89,284,659	79,439,026

33.7 SHARE OPTION PLANS

The Company has no formal process for the inclusion of share options in the remuneration of its employees or executives. Options have in the past been issued as part of the remuneration of employees and executives. At 31 December 2003 there are no outstanding share options issued by the Company and no options were issued to employees and executives in the year ended 31 December 2003.

In the year ended December 31, 1999 8,062,000 options exercisable at 30 cents each between October 14, 1999 and October 14, 2002 were granted as part consideration for the acquisition of the remaining 25% minority shareholding of the company's subsidiary PT Cendana Indopearls. During the year ended 31 December 2002 7,996,215 of these options were converted and the balance of 66,285 expired and were forfeited.

During 2000, the Company repriced 675,000 stock options from A\$0.40 to A\$0.30, the then quoted market price. Under US GAAP, the options are accounted for as variable options from that point forward and must be marked to market through income until they are exercised, forfeited, or expire. All of these stock options were exercised in 2002.

In the year ended December 31, 2000 200,000 options exercisable at 42 cents between January 1, 2001 and January 1, 2003 were granted to the then Managing Director as part of his remuneration, these were forfeited/cancelled in the year ended 31 December 2001.

In the year ended December 31, 2001 170,000 options exercisable at 34.5 cents between January 1, 2002 and December 31, 2003 were granted to the then Managing Director as part of his remuneration, these were forfeited/cancelled in the year ended 31 December 2001.

Movements in options issued are set out in the financial statements for the years ended 31 December and are included as part of this document at Note 19.



Share Capital

	2003		2002		2001	
	Number of Shares	A\$	Number of Shares	A\$	Number of Shares	A\$
Issued and subscribed ordinary shares						
Balance, beginning of year	87,810,254	18,849,092	78,557,959	16,183,065	54,751,017	12,612,024
Issue of ordinary shares pursuant to options exercised at 30 cents each	—	—	8,521,215	2,556,365	—	—
Issue of ordinary shares through conversion of Secured Convertible Notes (debt) to equity	—	—	731,080	109,662	23,806,942	3,571,041
Balance at end of year	87,810,254	18,849,092	87,810,254	18,849,092	78,557,959	16,183,065

33.8 Capitalisation of Administration Expenses

The Company has capitalized expenditure into inventory which is of an administrative nature for the years 2000 and 2001. These costs were capitalized because they form part of the cost of running the Indonesian company which is dedicated to the production of pearls. Under ARB 43, expenditure which is of an administrative nature may not be capitalized to inventory and must be expensed in the period that it is incurred. The adjustment required to reflect this change is as follows:

	YEARS ENDED 31 DECEMBER		
	2003	2002	2001
Administration costs capitalized	—	—	\$ 561,692
Cumulative effect on Total Assets	(168,508)	(\$594,956)	(\$1,081,978)
Cumulative effect on Equity	(168,508)	(\$594,956)	(\$1,081,978)
Effect on Net Income	426,448	\$ 487,022	(\$ 170,962)



Exhibit Index

Exhibit No.	Exhibit Description
4.17	Joint Production Agreement dated March 21, 2004 between PT Cendana Indopearls and Cahaya Cemerlang for the joint operation of an oyster hatchery and associated sea leases in Bacan Island in the North Maluku province of Indonesia (English translation)
4.18	Office lease dated May 20, 2003 between PT Cendana Indopearls and Nyoman Ardana and Wayan Kariami (English translation)
4.19	Water lease dated December 15, 2003 between PT Cendana Indopearls and the villagers of Pekraman Penyabengan, Sub-district of Gerokgak, Buleleng District, Bali (English translation)
4.20.	Land lease dated March 1, 2004 between PT Cendana Indopearls and the villagers of Pekraman Penyabengan, Sub-district of Gerokgak, Buleleng District, Bali (English translation)
4.21	Employment Agreement dated December 30, 2003 between the Company and Dr. Joseph Taylor
4.22	Employment Agreement dated December 30, 2003 between PT Cendana Indopearls and Dr. Joseph Taylor
4.23	Office lease dated June 8, 2004 between the Company and Mr. David Morrison
12.1	Section 302 Certification of Chief Executive Officer
12.2	Section 302 Certification of Chief Financial Officer
13.1	Section 906 Certification for Chief Executive Officer
13.2	Section 906 Certification for Chief Financial Officer



Exhibit 4.17

Bacan Hatchery – Grow-out Joint Venture

This agreement is entered into between:

PT Cahaya Cemerlang (CC)

and

PT Cendana Indopearls (CIP)

CC and CIP agree to enter into a joint venture arrangement for the production of the pearl oyster, *Pinctada maxima* at CC's pearl farm lease and facilities located in Bacan, North Maluku. The term of the agreement is for five (5) years. In this endeavour CC and CIP agree on the following:

1. CC will provide to CIP exclusive access to the hatchery and ancillary facilities at Nusa Deket (Bacan) and to the associated grow-out water leases and shore based facilities at Ambatu and other required sites (as marked on the attached map). No third party will be granted access to the hatchery or lease sites. Both parties reserve the right to conduct independent production runs at the Bacan facility provided that the JV has sufficient juvenile oyster stocks. Such usage will be by mutual agreement.
2. CC grants rights of access by CIP to farm sites south of Bobonewoka as marked attached map. CC reserves exclusive access to the sites of Bobonewoka and Supai for independent farming of pearl oysters. CIP is granted access to the lease areas and facilities associated with Terakiang for the purpose of farming its share of oysters generated as a result of the JV. Notwithstanding this, the two companies may enter into further JV arrangements at any of these sites by mutual agreement.
3. CIP will be appointed the "Manager" of the JV and will be responsible for the operational and financial management of the project.
4. CIP will be responsible for the production of larvae and spat at the Nusa Deket hatchery. This may involve the transfer of larvae to and from the Nusa Deket hatchery and other hatchery facilities in which CIP is involved.
5. CIP will be responsible for the operational funding to the project for each batch of oysters produced under this agreement. Funds expended will be at the discretion of CIP and subject to regular review.
6. CC will be responsible for the existing funding of its independent operations in Bacan.
7. CIP will manage the grow-out of spat produced at the water leases provided by CC.
8. CC will provide to CIP any existing equipment and facilities including but not exclusive to:
 - i) Long-lines
 - ii) Rafts
 - iii) Machinery
 - iv) Boats
 - v) Buildings and other infrastructure

The equipment and facilities to be provided by CC under the terms of this agreement are to be identified in an accompanying inventory.

9. Equipment and facilities provided by CC remain the property of CC.



10. Additional equipment over and above what is presently available at the Bacan Project site will be provided by CIP.
 11. Any additional equipment provided by CIP remains the property of CIP.
 12. Where CIP repair existing facilities and/or assets or build/manufacture new assets that are later returned to CC, CIP is entitled to compensation. Compensation will be based on the cost of work completed less appropriate depreciation.
 13. CIP will establish a banking facility at the nearby town of Labuha. To assist in the administration of the project, CIP will employ an Office Manager and Bookkeeper.
 14. All staff involved in the project will be under the direction of CIP. Project staff will be expected to perform their duties in accordance with the Department of Manpower approved rules and regulations of CIP.
 15. Staff recruited to the project will be paid in accordance with the rules and regulations of the local branch of the Department of Manpower.
 16. Project Managers will be provided by CIP on a roster basis.
 17. To support Project Management, key Senior Indonesian Technical staff will be seconded to the project by CIP
 18. CC will provide logistical support in the following areas:
 - i) Assistance with travel arrangements
 - ii) Assistance with required government reporting (immigration, police etc)
 - iii) Assistance with communication to and from site
 - iv) Assistance with transport of materials and shipping clearance
 - v) Other assistance as may be required and that is mutually agreed
 19. Each batch of oysters produced and reared under this agreement will be divided under one or other of the following arrangements:
 - i) At six (6) months post spawning or when the oysters reach an average size of 6 cm, surviving oysters will be divided 50:50 to each party. If the oysters are split at this time, it will become the responsibility of each party to maintain and manage their share of oysters.
 - or
 - ii) At twelve (12) months post spawning or when the oysters have attained a size appropriate to move into 8-pocket panels (≥ 8 cm), the oysters will be divided 70:30 (CIP:CC), respectively. Again, at the time of split it becomes the responsibility of each party to maintain and manage their share of oysters. Each party is responsible for the provision of 8-pocket panels for their share of oysters at the time of distribution.
- In both cases, juvenile oyster pocket-panels are to be returned for re-use by grow-out.
20. Notwithstanding point 19, the parties by mutual agreement may decide to enter into a further joint venture agreement for pearl production from oysters produced under this agreement. Such agreement may take several forms:
 - i) Equal numbers of twelve (12) month old oysters or oysters that have reached 8-10 cm (as per point 19 ii) from each party could be provided for a joint venture pearl farm at the Bacan site.



- ii) Oysters as described above could be transferred to other potential pearl farming regions and farmed under a joint venture agreement.
- iii) Oysters as described above could be transferred to existing pearl farms owned by either party outside of Bacan and farmed under a joint venture agreement.

In all cases, the costs and revenue resulting from the production and sale of pearls would be shared equally.

- 21. The terms of this agreement are to be reviewed on an annual basis. Part of the review will be an analysis of the relative rewards for inputs as described in point 19 to ensure a fair return for each party. Representatives of CC and CIP will maintain regular contact. It is expected that CC and CIP management will meet on a regular basis to ensure that the working relationship is maintained and that any problems or concerns are appropriately addressed.
- 22. This agreement may be extended beyond the current term by mutual agreement. Such agreement should be reached no later than one (1) year prior to the termination of the existing agreement.

Signed: PT Cahaya Cemerlang

Signed: PT Cendana Indopearls



Exhibit 4.18

Number: 5

LEASE AGREEMENT

Today, Friday on March the thirteenth of June two thousands and three (13-6-2003), present before me, ANAK AGUNG NGURAH ANOM WIDJAKA, Sarjana of Law, Notary in Denpasar, with the presence of witnesses whom I the Notary knows and whose names will be mentioned at the end part of this certificate:

1. Mr I NYOMAN ARDANA also written as NYOMAN ARDANA, private businessman living in the Municipality of Denpasar, Sub-district of Denpasar Timur, Village of Tonja, on Jalan Nangka Gang Murai I Number 1, aged around 47 (forty-seven) holding an Indonesian Identity Card Number: 22.5002.240456.0105: - according to his information in this case approved by his wife, MRS WAYAN KARIAMI, house wife, living in the same address as her husband, aged around 43 (forty-three) holding an Indonesian Identity Card Number: 22.5002.711260.0596: also present and signs this agreement as a proof of her consent: and in this legal action has contracted a leased object which will be mentioned in this certificate which still becomes security for the credit at BANK PEMBANGUNAN DAERAH BALI, SANUR BRANCH OFFICE based on the statement letter which is made unofficially with necessary tax stamp, dated the second of June two thousand and three (2 - 6 - 2003) and it is written on this minute of this certificate and hereinafter is referred to as: First Party/ the Lessor.
2. Miss KADEK SURYANI, Sarjana of Economics, private employee, living in Denpasar, the sub-district of Denpasar Timur, the Village of Kesiman Kertalangu, exactly on Jalan Jepun Pipil IV/3, aged about 31 (thirty-one) years, holding Identity Card Number: 22.5002.140672.1004; - according to her information in this case acting based on the letter of empowerment which was made unofficially with necessary tax stamp, dated



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Page 1 of 1

the twelfth of may two thousands and three (12 – 5 – 2003) and it is related to the minute of this certificate, therefore this party acting in such a way in the name of and legally representing the Company of PT CENDANA INDOPEARLS, which is based in Sorong Papua, and hereinafter is referred to as: Second Party/ the Lessee all the parties I, the Notary, have known. The First Party as mentioned above hereby informs to the Second Party who describes herewith leases from the First Party, that is: - a building with 2 (two) floors tiled roof, bricked wall, tiled floor consisting of 6 (six) bedrooms, guest room, and family room, and a kitchen, bathroom, garage, the following are the details of all parts and its accompaniments as what is written on the enclosed list, which are made separately, dated this day, which are signed by both parties and running water from Water Company (PDAM) and electricity from the electricity company (PLN) with the capacity of 4,400 W (four thousand and four hundreds Watts), and a telephone line from Telecommunication Company with the number: (0361) 461068, located in Denpasar, exactly on Jalan Sekar Jepun V Number 21; - the building stands on a piece of land with ownership right Number: 460/ the Village of Penatih Dangin Puri, with the area of 240 M2 (two hundred and forty square meters) situated in Bali Province, Badung Regency (now the municipality of Denpasar), the sub-district of Denpasar Timur, the Village of Penatih dangin Puri as described in the Situation Figure, dated the seventh of October one thousand nine hundred and eighty-seven (17 – 10 – 1987) Number : 8127/1987, written in the name of : I NYOMAN ARDANA. The Object being leased is not necessary to be put in detail because it has been known and examined thoroughly by both parties; therefore hereinafter all of them are just referred to as "Leased Object". Then the parties explain that the contract agreement is accepted and held between the two parties with the following terms and conditions:



Article 1

This lease agreement is accepted and fixed by the two parties for the period of 3 (three) years and 4 (four) months which is effective as of the twentieth of May two thousands and three (20 – 5 – 2003) and therefore it terminates on the twentieth of September two thousand and six (20 – 9 – 2006).

Article 2

The rent for the whole period of 3 (three) years and 4 (four) months totals Rp. 30,000,000 (thirty millions rupiahs) and according to this information of the First Party, the amount of money has been received in cash perfectly from the Second Party before this certificate is signed and this Certificate serves as legal receipt.

Article 3

The Lesser warrants the Lessee at the period during which this agreement is still in operation, the Lessee can use the building together with its accompaniment safely, free from prosecution or other barriers from other parties stating to have previous right or jointly owning the rights on the building and its accompaniment; thereby freeing the Lessee from all prosecutions having to do with the points above.

Article 4

The Lessee is obliged to use the building and its accompaniment according to its condition and use, that is, for a place of business and or a place to stay. If the Lessee violates against the said function of the building, this agreement terminates automatically and the Lessee is obliged to abandon it and the specification in paragraph 3 (three) of this article are also effective automatically and the Lessee can ask for the rent for the remainder of the renting period. The Lessee is obliged to maintain the building rented out well as if the building were his own house. The Lessee is obliged to hand over the building and its accompaniment to the Lessor in empty condition at the time of the termination of the agreement as mentioned in Article 1. And the Lessor is considered as careless if he has not handed over the building and its accompaniment right at the time of the termination of the contract agreement and the carelessness is merely proven by the time of the contract



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Page 1 of 1

that lapses so when this occurs it is necessary to give notice letter for the confiscation or other similar letter, So in this case the First Party/the Lessor/ his Family/ his Heir automatically has been given full power of attorney to empty and occupy the building and its contents himself in any way, and this power cannot be lifted before the occupation of the building and its contents can be attained. The emptying of inhabitants and belongings of the Second Party (or the other party that can have transfer of right) without any middleman, Court, or any other institution the one who has the authority about housing matters if necessary with the help of police, while all the costs and loss and risks that are brought about as a result of emptying the building, all becomes the responsibility of and paid by the Lessee himself.

Article 5

When there is a fire simply because of the carelessness of the Lessee, then the Lessee is obliged to cover everything including the cost of the building at the time of fire or obliged to return the building to its normal condition. The lessee is also obliged to respect all the regulations that have existed or perhaps to be issued by the authority related with the use of the building and its contents: all the costs used to comply with the rules and regulations are imposed on by the Lessee himself: thereby freeing the Lessor from all the claims brought about as a result of the violation and ignorance of the Lessee in fulfilling the regulations or rules.

Article 6

The Lessee is not allowed to change or to add features to the building and its accompaniment except if it is based on the needs and to beautify and strengthen the building. All the changes and or additions made by the Lessee automatically becomes the possession of the Lessor at the time of the termination of the contract agreement with no obligation on the Lessor part to pay the loss whatsoever relating to that to the Lessee.

In the additional to the buildings, it does not include the moved goods brought and fixed by the Lessee in the building he leased such as electric fan, curtains, and shelves, air-conditioners and the like all of which are the belongings of the



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Page 1 of 1

Lessee and they can be taken away again at the time of the termination of the contract, it is the obligation of the Lessee to repair parts of the building and its accompaniment which are impaired as a result of taking away the moved goods and they become the responsibility of the Lessee financially.

Article 7

All the burden and bills outstanding on the use of the building by the Lessee during the timer of the contract including the electricity, water, and telephone bill and the retribution for the community organization, for garbage and security shall be the whole responsibility of the Second Party while the bills outstanding before the contract and after the termination of the contract becomes the responsibility of the First Party. The Second Party keeps obliged to pay the electricity, telephone and water bill whose payment can only be made in October two thousands and six (2006). For the electricity, telephone and water bill whose payment can be made in October two thousands and six (2006) of which the use is within the contract period by the Lessee (September 2006), the payment keeps being the responsibility of the Lessee. The Lessee guarantees the Lessor that during the period of the contract all the costs, and bills outstanding on the use of the building including the bill of electricity, water, and telephone and contribution for community organization, garbage and security, are the responsibility of the Lessee; Thereby freeing the Lessor from all burdens, and outstanding bills over the use of the building during the period of the contract, therefore after the termination of the contract agreement the Second Party is obliged to hand in the original receipts of the payments of bills from PLN (electricity company, Telecommunication Company, Water Company (PDAM) to the First Party, And the tax on land and building (PBB) during the period of the contract must be paid by the First Party.

Article 8

If the Lessee moves out or finish the lease before the contract period terminates on the Lessee's own wish, the Lessee cannot sublet or transfer his contract right to the other party except it has written approval from the Lessor to do so and the remainder of the rent becomes the right of the Lessor and the leased object must be returned to the Lessor in good condition, clean with no inhabitants.



Article 9

This Contract Agreement will not terminate by the building being sold (including the sale because of security execution) or the building transferred in terms of its ownership, or with the death of either party in this agreement, in these cases, this contract agreement keeps being continued by the heir or the right holder of each party up to the time this contract agreement terminates, and the new right holders are obliged to respect the terms and conditions written on the contract agreement.

Article 10

All points that are not yet regulated on this certificate will be settled in a deliberation between the two parties. All the disputes brought about between the two parties about this agreement that cannot be settled in a deliberation between them will be settled by the arbitration institution consisting of 3 (three) members, each of the parties have the right to appoint a member while the third member having concurrent responsibility as the head of the arbitration institution which will be appointed by the two members that have been appointed previously, this institution will have a meeting and make a verdict according to the procedure commonly used in running an arbitration in Indonesia. All the costs for the meetings of the arbitration institution will be completely imposed on the one defeated.

Article 11

The cost for this agreement and other costs having to do with the making of this agreement are the responsibility of the First Party, while the income tax on the making of this contract agreement is the obligation of the First Party amounting to Rp. 3,000,000 (three million rupiahs) must be paid at the expense of the First Party

If the Second Party wishes to extend the lease period written in this contract agreement and the First Party wishes to lease out again the building and its accompaniment, the Second Party has the priority to extend it provided that 2 (two) months before the period of the contract terminates as written in the



agreement., the Second Party informs his wish to do so with the cost and terms fixed by the two parties. If in actuality the two parties cannot enter into an agreement immediately about the price and the period of the contract for the extension of the period as written in this agreement, so the contract agreement will terminate right at the time as what confirmed in this certificate. Concerning this certificate with all the consequence, the parties choose the domicile of law, the Denpasar Court of First Instance.

THAT IS THIS CERTIFICATE

Made as a minute in Denpasar on the date, month, and year as stated in the beginning part of this certificate with the presence of Mr. I NYOMAN PUJA SWEDA, Sarjana of Law, and Mrs. I GUSTI AYU ERNA RATNAWATI, Sarjana of Law, both of them are the officials of the Notary Office and living in Denpasar and they serve as witnesses After this certificate I, the Notary, read to the parties and the witnesses, then it is immediately signed by the parties, witnesses, and I the Notary Made with two changes, two

Signed by : /s/ I NYOMAN ARDANA;
: /s/ Mrs. WAYAN KARIAMI;
: /s/ KADEK SURYANI, SE;
: /s/ I NYOMAN PUJA SWEDA, SH;
: /s/ Mrs. I GUSTI AYU ERNA
RATNAWATI, SH;
: /s/ ANAK AGUNG NGURAH ANOM
WIDJAKA, SH

Given as a copy that reads the same



Exhibit 4.19



PT. CENDANA INDOPEARLS

Kantor Bali :
Jalan Sekar Jepun V Nomor 21
Gatoto Subroto Timur – Tohpati
Denpasar 80237 BALI – Indonesia
Phone : +62 0361 467725
Fax : +60 0361 461068
E-mail : cipbali@cipindo.com

Agreement for Building a Project of Pearl Shell

The undersigned

Name : Dr. JOSEPH JU TAYLOR
Position : MANAGING DIRECTOR PT CENDANA INDOPEARLS

Hereinafter is referred to as the FIRST PARTY

Name : I GUSTI BAGUS KETUT SUCAYA
Position : HEAD OF PENYABANGAN VILLAGE
Address : Penyabangan Village, Sub-district of Gerokgak, Buleleng District
Acting for and on behalf of the people of Penyabangan Village
Sub-district of Grokgak, Buleleng District, Bali

Name : I GUSTI KETUT SUARYA, S.Pd
Position : HEAD OF PEKRAMAN VILLAGE OF PENYABENGAN
Address : Penyabangan Village, Sub-district of Gerokgak, Buleleng District
Acting for and on behalf of the people of Penyabangan Pekraman
Village Sub-district of Grokgak, Buleleng District, Bali

Hereinafter are referred to as the SECOND PARTY

All the parties have entered into an agreement for cooperation with the following terms and conditions.

Article 1

The First Party will build a business of Culturing Pearl Shell at the Village of Penyabangan, Gerokgak Sub-district, Buleleng District, Bali Province.

Article 2

That the area used by the First Party is sea water area within the Village of Penyabangan, Sub-district of Gerokgak, Buleleng District, Bali Province. The mentioned area has the following coordinating points:

- 1) 08° 09' 10" South 114° 43' 50" East
- 2) 08° 09' 25" South 114° 44' 42" East

They are used is based on the permit regulated by the District Government of Buleleng.

**Article 3**

That the First Party has given donation for the development to the Village Head amounting to Rp. 40,000,000 (forty millions).

Article 4

That the First Party gives a fund of Rp. 1,200,000 (one million and two hundred rupiahs) per month to the Second Party for the safety of the coastal area and the business of pearl shell owned by the First Party.

Article 5

That the First Party agrees to participate in the village development. The procedure and technique of the participation will be coordinated with the Second Party.

Article 6

That the First Party gives priority to recruit the local laborers totaling 90% comprising 50% from the people of Penyabangan and the surrounding village specially within Gerokgak sub-district (including those who have long been working for the First Party). The First Party will transfer a minority of its experienced laborers of the First Party working outside the area of Gerokgak Sub-district. The First Party will need special laborers perhaps recruited from outside the Sub-district of Gerokgak.

Article 7

That for recruiting laborers mentioned in article 6, the First Party will coordinate that with the Second Party and the recruited persons must be in accordance with the needs and the Company's Regulation based on the rules of the Manpower Department.

Article 8

The First Party will annually give scholarship to two person from poor family (one male the other is female) coming from Penyabangan Village to be sent to High School. In this respect, the Second Party will decide which student will take the scholarship and the students concerned must agree to take the school programs seriously.

Article 9

That for the scholarship mentioned in article 8, the First Party will make coordination with the Second Party and the Second Party in this respect is obliged to give report about the study progress of the students taking the scholarship.

Article 10

That the First Party is obliged to preserve the environment within his area both in the part of land area and sea area and building a construction with the concept and model of Balinese building.

Article 11

During the operation of the Company, the First Party is guaranteed of his security by the Second Party.



Article 12

The First Party is given the permit of operating his business in the area of the Second Party on condition that the two parties draw benefit of the business and it is not in deviation from the permit given by the Regency Government of Buleleng.

Article 13

If later there is a third party who wants to do the same business in the location as written in article 2, the Second Party is obliged prior information to the First Party and the Second Party must have prior consent before the third party is allowed to run his business in the area.

Article 14

The Second Party states in principle that they can accept the agreement as stated by the First Party above.

This agreement is made truthfully without there being any force from the party whosoever to be used where necessary. This agreement is signed by the two parties and witnessed by some of the government officials.

Made and signed in Penyabangan
On Monday 15 – 12 – 2003

FIRST PARTY

/s/ Dr. Joseph J.U. Taylor

SECOND PARTY

Head of Penyabangan Village

/s/ I Gusti Bagus Ketut Sucaya

Head of Pekraman Village of Penyabangan

/s/ I Gusti Ketut Suarya, S.Pd

Approved by,
The Head of Gerokgak Sub-district
/s/ Ida Bagus Oka Susrama, BA



Exhibit 4.20



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E-mail : cipbali@cipindo.com

PT. CENDANA INDOPEARLS

**CONTRACT AGREEMENT FOR LAND USE RIGHT
PEKRAMAN VILLAGE OF PENYABANGAN**

Today Monday the first day of March two thousand and four has come before me IDA BAGUS OKA SUSRAMA, BA the Head of Gerokgak Sub-district the persons whom I know:

1. Name : I GUSTI KETUT SUARYA, SPd. Acting for and on behalf of the villagers of Pekraman Penyabangan, Sub-district of Gerokgak, Buleleng District, Bali.

Hereinafter is referred to as the FIRST PARTY.

2. Name : Dr. JOSEPH J.U. TAYLOR
Position : MANAGING DIRECTOR OF PT CENDANA INDOPEARLS acting for and on behalf of PT Cendana Indopearls

Hereinafter is referred to as the SECOND PARTY.

Each of the parties has entered into an agreement of Land Contract as follows:

1. THE FIRST PARTY expresses himself as the owner of the certificate of land use in 2004 with the area of _____ m2 located in the Penyabangan Village, Sub-district of Gerokgak, on behalf of the villagers of Pekraman Penyabangan.
2. THE FIRST PARTY states that the land to be contracted to the SECOND PARTY is not in dispute.
3. THE FIRST PARTY states that the land with use right status to be contracted to the SECOND PARTY has the area of 2,000 M2 with the following borders:
North : Sea
East : The remainder of the land contracted
South : Land of a villager
West : Road of the Village
4. THE FIRST PARTY states that the period of the right of using the land is 30 (thirty) years starting from the first of March 2004 and terminating on the first of March 2034.
5. THE FIRST PARTY states that the cost for the land contracted amounts to Rp. 40,000,000 (forty million rupiahs) and it is paid in cash on the date this Contract Agreement is made /signed and is completed with signature of the proof of the payment in the form of legal receipt as an inseparable part of the agreement.



6. THE FIRST PARTY states that during the contract time, the Second Party is allowed to build basic camps and fix the tools and equipment for the pearl shell company.
7. THE FIRST PARTY states that at the time of the termination of the contract, the SECOND PARTY is obliged to return the land back to its previous condition.
8. THE FIRST PARTY states that when at the termination date, the first of March 2034, the SECOND PARTY still goes on with its activities, the extension of the time for the contract can me made based on the consent and agreement of the two parties.
9. THE FIRST PARTY states that the SECOND PARTY is obliged to protect the environment of the land and the coast during its operation for example avoiding the abrasion from occurring in the area used (of the Pekraman Village of Penyabangan)
10. THE FIRST PARTY states that all the costs for this contract agreement is imposed entirely on the SECOND PARTY.
11. The time during which this agreement is still effective, the FIRST and the SECOND PARTY cannot transfer the contract or uses the area as a security to parties whosoever without having a meeting and agreement for that.
12. THE SECOND PARTY in principle accepts wholly what has been stated by the FIRST PARTY from point 1 up to point 11 mentioned above.

This Contract Agreement is made by the FIRST PARTY and the SECOND PARTY without there being forced by any party whosoever and if later known that either party disrespect this contract agreement, he is prepared to be prosecuted before Singaraja Court of First Instance.

After I read all the contents of this Contract Agreement, THE FIRST PARTY and THE SECOND PARTY have understood them and each of them signs it and it is affixed with tax stamp.

Gerokgak,
Monday the fisrt of March 2004

FIRST PARTY

SECOND PARTY

/s/ I Gusti Bagus Ketut Suarya, Spd

/s/ Dr. Joseph J.U Taylor

WITNESS

HEAD OF PENYABENGAN VILLAGE

NOTARY STAFF OF GEROKGAK SUB-DISTRICT

/s/ I Gusti Bagus Ketut Sucaya

/s/ Made Utama

**Approved by
Head of Gerokgak Sub-district**

/s/ Ida Bagus Oka Suasrama, BA

NIP. 010075966



Exhibit 4.21

30th December 2003

Dr. Joseph Taylor
Jalan Panti Karang 02X
Kelurahan Sanur
Kecamatan Denpasar Timur
Kotamadya Denpasar
Bali
Indonesia

Dear Joseph,

Employment Agreement - Managing Director

This agreement is between Atlas Pacific Ltd and yourself. It sets out the terms and conditions of your employment with the Company.

1 Definitions

- 1.1 "Agreement" means this Agreement as amended from time to time;
- 1.2 "Board" means the Board of Directors of Atlas Pacific Ltd;
- 1.3 "Business Day" means a day on which banks are open for business in Indonesia excluding Saturday, Sunday and public holidays;
- 1.4 "the Company" means Atlas Pacific Ltd (ACN 009 220 053), a company registered in Australia;

2 Duties and Responsibilities

- 2.1 You shall hold the position of Managing Director of the Company for the term of this Agreement as defined in clause 3.1, but this appointment shall be subject to you retaining your directorship of both the Company and its associate, PT Cendana Indopearls, in accordance with their respective constitutions. Your employment is at all times subject to the provisions of termination incorporated in this Agreement.



- 2.2 You shall, unless prevented by ill-health, devote the whole of your time during the business hours of the Company to the business of the Company and shall use your best endeavours to promote the interests and welfare of the Company.
- 2.3 As the Managing Director of the Company, you shall undertake such duties as the Board from time to time directs. You are also required to undertake the duties that are directed to you in terms of the management of the Company's pearling activities by the Board of Directors of PT Cendana Indo pearls. You will be expected to carry out such hours of work as may from time to time be reasonably required to fulfil these duties which will be included in your normal hours of work.
- 2.4 Your duties and responsibilities are set out in the attached job description. Because the job description cannot be all encompassing, your responsibilities may extend beyond those listed in the attached job description.

3 Contract Term

- 3.1 The Commencement Date of this Agreement shall be 1st January 2004.
- 3.2 The term of this Agreement will be three (3) years commencing from the Commencement Date. This term may be extended at the mutual written consent of both parties.
- 3.3 This Agreement will terminate three (3) years from the Commencement Date unless otherwise extended under clause 3.2 or at an earlier date as may be determined under clause 9.

4 Remuneration Package

- 4.1 You shall be entitled, by way of remuneration for services carried out under this Agreement, to an annual gross salary of \$50,000. The benefit shall be available in equal monthly instalments paid in arrears into such bank account or in such a manner as shall be nominated by you and agreed by the Company.
- 4.2 In addition to the remuneration paid above, you shall be entitled to the following allowances and benefits:
 - 4.2.1 Storage/Relocation:
 - The Company will pay for the relocation of your personal effects from Perth to Denpasar and/or storage of these effects in Perth up to a cumulative maximum value of \$3,500 over the Term of this Agreement.
 - The Company will pay for the relocation of your personal effects from Denpasar to Australia at the end of the contract up to a maximum of \$3,500.
 - 4.2.2 The Company will pay for the use of a mobile telephone whilst your are working in Australia. Private telephone calls shall be kept to a minimum on this service.
 - 4.2.3 The Company will make payments to your Australian superannuation fund equivalent to the amount payable under the Superannuation Guarantee Contribution Scheme (9% of gross salary at the time of signing this contract).



4.2.4 While you are a Director of the Company, you will be covered by Directors and Officers insurance for actions taken against you whilst acting in this capacity.

5 Additional entitlements

- 5.1 You shall be entitled to 22 working days of leave per annum. Annual leave shall accrue up to a maximum of 44 days during the term of the Agreement. 17 working days (three weeks) of annual leave accrued while employed under your previous contract will carry over to your new contract as an entitlement under this Agreement.
- 5.2 Your annual leave entitlement that had accrued up until 31st December 2003 will be paid out at your direction with the exception of 3 weeks (17 working days) leave which will be transferred as an entitlement payable by PT Cendana Indopearls.
- 5.3 The Company shall reimburse you for all reasonable out of pocket expenses incurred along with all reasonable travel and accommodation costs incurred by you in the course of carrying out your duties under this Agreement. You shall produce to the Company the proper documentation to verify such expenses for reimbursement.

6 Restriction

- 6.1 You shall not be a party to the trading of any of the shares or other securities of the Company while you are in the possession of any market sensitive information about the Company's business activities or operations. Any trading of the securities of Atlas Pacific Limited by you must be advised to the Company Secretary of Atlas Pacific Limited within five (5) days of this transaction.
- 6.2 If you cease employment with the Company for whatever reason, you may not solicit the services of any existing employees of the Company for the benefit of any subsequent employment or business venture that you may undertake without the express approval of the Board of the Company.

7 Confidentiality

- 7.1 You may not, except as authorised or required by your duties, divulge to any person whatsoever any of the trade secrets or confidential information, processes or dealings or any information concerning the organisation, business, finances, transactions or affairs of the Company or any associated entities which may come to your knowledge during the term of this Agreement. You shall keep with complete secrecy all confidential information entrusted to you and shall not attempt to use any such information in any manner which may injure or cause loss either directly or indirectly to the Company or its business and its associates.



7.2 You have no obligation to keep confidential pursuant to clause 7.1 any information which:

- 7.2.1 becomes public knowledge;
- 7.2.2 loses its confidentiality through passage of time; and
- 7.2.3 loses its confidentiality through a change in circumstances.

8 Ownership of intellectual Property

- 8.1 Any discovery, invention, secret process or improvement in procedure made or discovered by you or any other employee of the Company under your direction while you are employed (including past employment) by the Company or its associates shall belong to and be the absolute property of the Company and its associates.
- 8.2 If requested to do so by the Company, you agree that you will (whether during or after the termination of this employment) apply or join in applying for letters of patent or other similar protection for any such discoveries, invention, process or improvement as stated above and you will execute all instruments necessary to secure such rights.
- 8.3 The Company retains ownership of any written material created by you in the performance of your duties under this Agreement in which copyright does or may subsist.

9 Termination

- 9.1 Your engagement as Managing Director pursuant to this agreement may be terminated on a date specified by the Company if any one or more of the circumstances mentioned in the following clause exist and the Company gives notice to you specifying the circumstances complained of and indicating its intention to terminate your employment.
- 9.2 The circumstances referred to in the proceeding clause are where you:
 - 9.2.1 commit a serious or persistent breach of any of the provisions of this Agreement;
 - 9.2.2 are guilty of any grave misconduct or wilful neglect in the discharge of your duties under this Agreement;
 - 9.2.3 die or become of unsound mind;
 - 9.2.4 commit an act of bankruptcy or enter into, subsequent to the date of this Agreement, any agreement or composition with your creditors;
 - 9.2.5 are convicted of an indictable offence; or
 - 9.2.6 are for a period of four (4) consecutive months or for a period aggregating four (4) months within the term of the Agreement, unable, through accident, illness or other physical or mental incapacity, to perform your duties under this Agreement.
- 9.3 You may terminate this Agreement at any time by providing one (1) months written notice to the Company if:
 - 9.3.1 any payment due from the Company to you pursuant to this Agreement remains unpaid for a period of thirty (30) days;
 - 9.3.2 the Company breaches any clauses of this Agreement and such breach is not remedied within fourteen (14) days of written notice by you.



9.4 If there is mutual agreement between the Company and you, this Agreement may be terminated for a reason that is not mentioned above by either party giving three (3) months (or some other agreed period) written notice to the other party detailing the reasons for the Agreement being terminated. In the event of such a termination taking place, there shall be no special termination payments made by the Company unless such a payment is mutually agreed between both parties.

10 Indemnity

The Company shall indemnify you and keep you indemnified from and against all actions, suits, claims, demands, costs and expenses whatsoever to which you shall or may become liable in respect of carrying out your obligations under this Agreement except as may be due to the negligence of your actions.

11 General

11.1 Duties as Director of Associated Companies

You will be required to fulfil additional tasks separate to this Agreement as the Managing Director of PT Cendana Indopearls. These responsibilities and duties are accepted as being part of the fulfilment of your obligations under this Agreement with the Company.

11.2 Governing Law

This Agreement shall be governed by the Law of Western Australia.

This document is executed as an Agreement between both parties.

The Common Seal of **Atlas Pacific**)
Limited was hereunto affixed by)
 authority of the Board of Directors)
 in the presence of:)

 Director

 Director

Signed by Joseph Taylor)
 in the presence of:)

 Name of Witness:

Address:

Occupation:



JOB DESCRIPTION
(Managing Director)

1 Liaison/Public Relations

- 1.1 Represent the company and its activities in a positive light to the press, investment community, regulatory authorities, etc.
- 1.2 Communicate with the press, shareholders, stock brokers (including meetings and presentations in Australia and the USA as required), bankers and regulatory authorities in Australia such as the ASX, ASIC and the USA such as NASDAQ and the SEC;
- 1.3 Communicate with Indonesian authorities such as the BKPM and the tax office as required;
- 1.4 Actively involve the company's Indonesian representatives in its activities in Indonesia;
- 1.5 Represent the company in pursuit of other business and joint venture opportunities.

2 Marketing

- 2.1 Communicate with Pearlantore International (and other wholesale organisations as required) regarding harvest forecasts, pearl prices and terms offered by customers, marketing strategies and other value adding opportunities;
- 2.2 Negotiate selling contracts with pearl wholesalers as required;
- 2.3 Maintain personal contact with individuals and organisations in the pearl industry on behalf of the company;
- 2.4 Where possible, provide feedback to field operations to ensure that the most valuable pearl types in relation to colour, size and shape are being produced.



Exhibit 4.22

30th December 2003

Dr. Joseph Taylor
Jalan Panti Karang 02X
Kelurahan Sanur
Kecamatan Denpasar Timur
Kotamadya Denpasar
Bali
Indonesia

Dear Joseph,

Employment Agreement - Managing Director

This agreement is between PT Cendana Indopearls and yourself. It sets out the terms and conditions of your employment with the Company.

1 Definitions

- 1.1 "Agreement" means this Agreement as amended from time to time;
- 1.2 "Board" means the Board of Directors of PT Cendana Indopearls;
- 1.3 "Business Day" means a day on which banks are open for business in Indonesia excluding Saturday, Sunday and public holidays;
- 1.4 "the Company" means PT Cendana Indopearls, a company registered in the Republic of Indonesia;
- 1.5 The term Dollars (\$) refers to Australian Dollars.

2 Duties and Responsibilities

- 2.1 You shall hold the position of Managing Director of the Company for the term of this Agreement as defined in clause 3.1, but this appointment shall be subject to you retaining your directorship of both the Company and its associate, Atlas Pacific Limited, in accordance with their respective constitutions. Your employment is at all times subject to the provisions of termination incorporated in this Agreement.



- 2.2 You shall, unless prevented by ill-health, devote the whole of your time during the business hours of the Company to the business of the Company and shall use your best endeavours to promote the interests and welfare of the Company.
- 2.3 As the Managing Director of the Company, you shall undertake such duties as the Board from time to time directs. You are also required to undertake the duties that are directed to you in terms of the management of the Company by the Board of Directors of Atlas Pacific Limited. You will be expected to carry out such hours of work as may from time to time be reasonably required to fulfil these duties which will be included in your normal hours of work.
- 2.4 Your duties and responsibilities are set out in the attached job description. Because the job description cannot be all encompassing, your responsibilities may extend beyond those listed in the attached job description.

3 Contract Term

- 3.1 The Commencement Date of this Agreement shall be 1st January 2004.
- 3.2 The term of this Agreement will be three (3) years commencing from the Commencement Date. This term may be extended at the mutual written consent of both parties.
- 3.3 This Agreement will terminate three (3) years from the Commencement Date unless otherwise extended under clause 3.2 or at an earlier date as may be determined under clause 9.

4 Remuneration Package

- 4.1 You shall be entitled, by way of remuneration for services carried out under this Agreement, to an annual net salary of \$112,700. The benefit shall be available in equal monthly instalments paid in arrears into such bank account or in such a manner as shall be nominated by you and agreed by the Company.
- 4.2 In addition to the remuneration paid above, you shall be entitled to the following allowances and benefits:
 - 4.2.1 Travel and Accommodation:
 - While your son, Liam, is at school in Townsville, Queensland, you will be allowed four return economy airfares for him and one other accompanying adult to Townsville per year plus two additional return economy airfares to any capital city or major regional centre in Australia for your daughter, Holly, and one other adult each year. This will equate to 12 return economy flights to Australia each year.
 - In the event that you relocate Liam to Bali for his schooling, you will be entitled to two return economy airfares to any capital city or major regional centre in Australia for each member of the family ie: eight return economy fares to Australia each year.



- You may use this allowance for travel to destinations other than Australia up to the value of the equivalent fares to Australia.

The maximum amount payable under this travel allowance will be \$35,000 per annum, however every effort must be made to carry out travel in the most cost-effective manner possible. The Company will be responsible for arranging and paying for this travel.

4.2.2 Education Allowance which will cover the difference between the cost of the education for Liam and Holly in Perth prior to you taking up this position and the cost of their education (including boarding where applicable) during the term of this contract. This allowance shall be capped at \$12,500 per annum.

4.2.3 Accommodation will be provided for you and your family up to a limit of Rp75,000,000 per annum for the term of the contract. This will be paid for by the Company with all withholding taxes deducted and reported by the Company on your behalf. All bonds and other deposits that are required in relation to the rental of this premises will be paid by the Company and will be your responsibility to ensure that these are refunded at the end of the lease. Where it is appropriate, the premises that is rented by you shall be made available for the use of storage and other work related facilities.

4.2.4 The Company will pay for the use of a mobile telephone whilst your are working in Indonesia. Private telephone calls shall be kept to a minimum on this service.

4.2.5 Insurance will be provided for you and your family in relation to Travel, Medical expenses, Medical evacuation and Kidnap and Ransom. While you are in the employ of the Company, you will be covered by Workers Compensation (death and disability) and Personal Accident insurance. While you are a Director of the Company, you will be covered by Directors and Officers insurance for actions taken against you whilst acting in this capacity.

4.3 The remuneration paid to your for your services to the Company, including allowances, will be reviewed annually, commencing 12 months from the Commencement Date.

5 Additional entitlements

5.1 You shall be entitled to 22 working days of leave per annum and 10 days of sick leave per annum. Annual leave shall accrue up to a maximum of 44 days during the term of the Agreement. 17 working days (three weeks) of annual leave accrued while employed by Atlas Pacific Limited shall carry over to your new contract as an entitlement under this Agreement.

5.2 The Company shall reimburse you for all reasonable out of pocket expenses incurred along with all reasonable travel and accommodation costs incurred by you in the course of carrying out your duties under this Agreement. You shall produce to the Company the proper documentation to verify such expenses for reimbursement.



6 Restriction

- 6.1 You shall not be a party to the trading of any of the shares or other securities of Atlas Pacific Limited while you are in the possession of any market sensitive information about the Company's business activities or operations. Any trading of the securities of Atlas Pacific Limited by you must be advised to the Company Secretary of Atlas Pacific Limited within five (5) days of this transaction.
- 6.2 If you cease employment with the Company for whatever reason, you may not solicit the services of any existing employees of the Company for the benefit of any subsequent employment or business venture that you may undertake without the express approval of the Board of the Company.

7 Confidentiality

- 7.1 You may not, except as authorised or required by your duties, divulge to any person whatsoever any of the trade secrets or confidential information, processes or dealings or any information concerning the organisation, business, finances, transactions or affairs of the Company or any associated entities which may come to your knowledge during the term of this Agreement. You shall keep with complete secrecy all confidential information entrusted to you and shall not attempt to use any such information in any manner which may injure or cause loss either directly or indirectly to the Company or its business and its associates.
- 7.2 You have no obligation to keep confidential pursuant to clause 7.1 any information which:
 - 7.2.1 becomes public knowledge;
 - 7.2.2 loses its confidentiality through passage of time; and
 - 7.2.3 loses its confidentiality through a change in circumstances.

8 Ownership of intellectual Property

- 8.1 Any discovery, invention, secret process or improvement in procedure made or discovered by you or any other employee of the Company under your direction while you are employed (including past employment) by the Company or its associates shall belong to and be the absolute property of the Company and its associates.
- 8.2 If requested to do so by the Company, you agree that you will (whether during or after the termination of this employment) apply or join in applying for letters of patent or other similar protection for any such discoveries, invention, process or improvement as stated above and you will execute all instruments necessary to secure such rights.
- 8.3 The Company retains ownership of any written material created by you in the performance of your duties under this Agreement in which copyright does or may subsist.

9 Termination

- 9.1 Your engagement as Managing Director pursuant to this agreement may be terminated on a date specified by the Company if any one or more of the circumstances mentioned in the following clause exist and the Company gives notice to you specifying the circumstances complained of and indicating its intention to terminate your employment.
- 9.2 The circumstances referred to in the proceeding clause are where you:
- 9.2.1 commit a serious or persistent breach of any of the provisions of this Agreement;
 - 9.2.2 are guilty of any grave misconduct or wilful neglect in the discharge of your duties under this Agreement;
 - 9.2.3 die or become of unsound mind;
 - 9.2.4 commit an act of bankruptcy or enter into, subsequent to the date of this Agreement, any agreement or composition with your creditors;
 - 9.2.5 are convicted of an indictable offence; or
 - 9.2.6 are for a period of four (4) consecutive months or for a period aggregating four (4) months within the term of the Agreement, unable, through accident, illness or other physical or mental incapacity, to perform your duties under this Agreement.
- 9.3 You may terminate this Agreement at any time by providing one (1) months written notice to the Company if:
- 9.3.1 any payment due from the Company to you pursuant to this Agreement remains unpaid for a period of thirty (30) days;
 - 9.3.2 the Company breaches any clauses of this Agreement and such breach is not remedied within fourteen (14) days of written notice by you.
- 9.4 If there is mutual agreement between the Company and you, this Agreement may be terminated for a reason that is not mentioned above by either party giving three (3) months (or some other agreed period) written notice to the other party detailing the reasons for the Agreement being terminated. In the event of such a termination taking place, there shall be no special termination payments made by the Company unless such a payment is mutually agreed between both parties.

10 Indemnity

The Company shall indemnify you and keep you indemnified from and against all actions, suits, claims, demands, costs and expenses whatsoever to which you shall or may become liable in respect of carrying out your obligations under this Agreement except as may be due to the negligence of your actions.

11 General

11.1 Duties as Director of Associated Companies

You will be required to fulfil additional tasks separate to this Agreement as a Director of Atlas Pacific Limited. These responsibilities and duties are accepted as being part of the fulfilment of your obligations under this Agreement with the Company.



11.2 Governing Law

This Agreement shall be governed by the Law of Western Australia except to the extent that the labour laws of Indonesia may apply.

This document is executed as an Agreement between both parties.

The Common Seal of **PT Cendana**)
Indopearls was hereunto affixed by)
 authority of the Board of Directors)
 in the presence of:)

President Director

Signed by Joseph Taylor)
 in the presence of:)

Name of Witness:

Address:

Occupation:



JOB DESCRIPTION **(Managing Director)**

1 General Administration

- 1.1 General supervision of all management staff including the promotion of harmonious working relationships between management and staff;
- 1.2 Respond to queries and incidents in the field;
- 1.3 Personnel administration including hiring, dismissal, dispute resolution, review of performance and review of remuneration for all Perth based staff and Indonesian based expatriates;
- 1.4 Provide for staff training and development in Indonesia and Australia to ensure that the Group's objectives are met;
- 1.5 Ensure that management succession planning is in place for the rotation of senior staff who leave the organisation;
- 1.6 Review insurance requirements and deal with claim issues as they arise;
- 1.7 Prepare information for Board and Executive Committee meetings;
- 1.8 Communicate with Directors, suppliers and statutory authorities in Australia and Indonesia;
- 1.9 Occupation, health & safety review;
- 1.10 Advise on immigration issues for expat. staff in Indonesia;
- 1.11 Establish and maintain good working relationships with all levels of government in Indonesia.

2 Financial

- 2.1 Oversee the preparation, presentation and discussion with the Board and management of annual budget forecasts and the reporting to the Board on prior year results against budget forecasts for that period;
- 2.2 Prepare business plans as required by the Board;
- 2.3 Review the preparation of annual reports and half yearly reports including review of operations and all other compliance matters within the statutory time limits;
- 2.4 Liaise with auditors and tax advisors as required to ensure compliance with laws and maximisation of financial planning opportunities;
- 2.5 Supervise the preparation of monthly management accounts;
- 2.6 Management of cash flow, ensuring that sufficient reserves are available as directed by the Board;
- 2.7 Ensure that expenditure controls for the purchase of fixed assets and other high value items such as nuclei and consulting services are in place and adhered to by Perth and Indonesian based operations.

3 Operational

- 3.1 Ensure that best practice oyster husbandry techniques are adopted in the field for the best possible pearl production results;
- 3.2 Ensure complete documentation of technology, know how and operational procedures to ensure smooth succession in the event of key managers leaving the group's employment;
- 3.3 Continue to promote the best possible nucleating techniques and practices and ensure that staff are sufficiently trained to perform this task;
- 3.4 Visit Waigeo and other pearl farming sites (if they are developed in the future) as required to ensure operations are running as reported;
- 3.5 Oversee the planning of pearl harvests, including the review of nuclei requirements, followed by the shipment of the pearls from Indonesia and customs clearance to Australia.



Exhibit 4.23

LEASE DEED

LESSOR

David Kenneth Morrison

LESSEE

Atlas Pacific Limited

PROPERTY

43 York Street, Subiaco

Richard Adams
Raine & Home Commercial (WA)
329 Hay St, Subiaco WA 6008
Tel: 9380 4500



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R400-2/00

(Stamp Office Use Only)

STANDARD COMMERCIAL/INDUSTRIAL

PROPERTY LEASE (PART B)

Not for retail premises or other premises where the Commercial Tenancy

(Retail Shops) Agreement Act 1985 applies

Particulars of the Lease

- This document incorporates The Real Estate Institute of Western Australia (Inc.) 1996, General Terms and Conditions of the Lease contained in the document attached.
- Before using this document please read the notes at the front of the Real Estate Institute of Western Australia (Inc.) 1996 General Terms and Conditions of the Lease.

THIS LEASE is made 8th June 2004

1. Lessor:

Full Name: David Kenneth Morrison

Address: 59 Harvest Road North Fremantle WA 6159

Telephone: Work: 0408 916 984

Home: 9433 3556

Facsimile: 9433 3557

Email: _____

ACN: _____

ABN: _____

2. Lessee:

Full Name: Atlas Pacific Limited

Address: 6 Rous Head Road, North Fremantle

Telephone: Work: 9336 7955

Home: _____

Facsimile: 9336 7966

Email: simona@atlaspace.com.au

Full Name: _____

Address: _____

Telephone: Work: _____ Home: _____

Facsimile: _____ Email: _____

(is a corporation name) Name: _____

ACN: _____

ABN: _____

Address of Registered Office: _____

Telephone: _____

Facsimile: _____

Email: _____



ICV6WSQY6NS2006

ATLAS PACIFIC, LTD.

RR Donnelley ProFile

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FORM 20-F

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Page 1 of 2



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3. Guarantor:

Full Name: n/a

Address: _____

Telephone: _____ Work _____ Home _____

Facsimile: _____ Email _____

Full Name: _____

Address: _____

Telephone: _____ Work _____ Home _____

Facsimile: _____ Email _____

4. Premises:

*The Land

43 York Street, Subiaco

which is depicted and coloured on the annexed plan.

* Delete if inapplicable

5. Land:

Lot 17 on Diagram/Plan/Strata Plan and being the whole of the land in Certificate of Title

Volume _____ Folio _____

6. Term:

36 months commencing on the Date of Commencement.

7. Date of Commencement:

1 July 2004

8. Further Terms:

36 months commencing on 1 July 2007

_____ months commencing on _____ 20__

9. Rent:

From the Date of Commencement until varied the Rent is \$18,000 net pa per annum, payable by instalments of \$1,500 per month in advance on the first day of each month. (Rent is exclusive of GST, see clause 17).

10. Rent Review Dates:

During the Term: 1 July 2005; _____ 20__;

1 July 2006; _____ 20__;

_____ 20__;

During the Further Terms: 1 July 2008; _____ 20__;

1 July 2009; _____ 20__;

_____ 20__;

11. Method of Rent Review:

Subject to clause 18 the Rent applicable from and including each Rent Review Date is the greatest of:

- * • CPI Rent on that Rent Review Date



ICV6WSDYGN52006

ATLAS PACIFIC, LTD.	RR Donnelley ProFile	CHWFBU-MWS-CXB 8.5.16	CHMdhahh0dc	13-Jul-2004 23:16 EST	43634 EX4 23A 3	4*
FORM 20-F			ATL	CLN ang2	HTMESS 0C	

Page 2 of 2

- * • the Rent applicable immediately before that Rent Review Date increased by 3% of that Rent.

**12. Address:**

The address of the Lessor shown on this Lease
59 Harvest Rd. North Fremantle 6159

13. Rate of Interest:

15% per annum calculated on a daily basis.

14. Painting and decorating intervals:

Within three (3) months before the end of each Term and Further Term granted or at earlier Termination.

15. Public Risk Insurance:

\$10 million

16. Permitted Use:

Any lawful use for which the Premises are designed or suited without change of zoning by the local authority provided this Lease does not thereby become subject to the Commercial Tenancy (Retail Shops) Agreements Act 1985.

17. GST:

(a) In this clause the term "GST" means any goods and services tax imposed under A New Tax System (Goods and Services) Act 1999 (the "GST Act") and its transitional and amending acts and regulations which is or may be levied or assessed or becomes payable in respect of rent, outgoings or in connection with the supply of the leased premises or any goods, services, facilities or other things by the Lessor to the Lessee under this contract or any extension, renewal or holding over.

(b) The Lessee shall pay to the Lessor any GST payable by the Lessor in accordance with the requirements of the GST Act. Such payments are to be made by the Lessee prior to the date for payment of the GST by the Lessor or on the dates for the payment of rent, whichever is the earlier. The Lessee hereby indemnifies the Lessor in relation to the payment of any GST.

(c) Any rent or other payment obligation stated or referred to in this contract does not include GST unless it is expressly included and GST must be paid in addition to that rent or payment obligation. Unless GST is expressly included, the consideration for any supply by the Lessor to the Lessee is increased by an amount equal to the amount of that consideration multiplied by the rate at which GST is imposed in respect of that supply.

(d) The Lessor must provide to the Lessee a GST tax invoice as required by the GST Act.

18. Special Clauses:

1. The rent in para 9 refers to a net rental to which the variable outgoings and statutory charges are to be paid by the lessee within 14 days of being provided the accounts by the lessor.

2. Both the lessor and the lessee are registered for GST and GST will apply to the rent and outgoings.

3. The lessee agrees to pay a bond of \$1,500 and the lessor will hold this in a separate bank account and the lessor agrees to provide the lessor with a copy of the bank statement as to the location of those funds held on the lessees behalf.

4. The lessee is hereby granted permission from the lessor to fit an airconditioner into the second office on the east side of the premises.

5. The lessor agrees to have serviced all the existing airconditioning units prior to commencement of the lease on 1 July 04, thereafter the responsibility for the running and repair of the systems will lay with the lessee.



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EXECUTED by the parties as a deed.

THE COMMON SEAL of)
 ATLAS PACIFIC LIMITED)
 (ACN 009220053))
 was affixed in accordance with its Articles of Association)
 in the presence of:)

/s/ Joseph James Uel Taylor
 Director

/s/ Simon Charles Bunbury Adams
 Secretary

Joseph James Uel Taylor
 Full Name (*Please Print*)

Simon Charles Bunbury Adams
 Full Name (*Please Print*)

THE COMMON SEAL of)
 ATLAS PACIFIC LIMITED)
 (ACN))
 was affixed in accordance with its Articles of Association)
 in the presence of:)

/s/ Illegible

Secretary

Full Name (*Please Print*)

Full Name (*Please Print*)

SIGNED as a deed by in the presence of:

/s/ Richard Adams
 Signature of Witness

Richard Adams
 Print full name of Witness

Raine & Horne Commercial (WA)
 329 Hay Street, Subiaco 6008
 Address of Witness

Commissioner for Declarations in Western Australia



Occupation of Witness



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A true copy of this document has been received by each of the signatories hereto – together with a copy of the Real Estate Institute of Western Australia (Inc.) 1996 General Terms and Conditions of the Lease in the attached document.

COPYRIGHT

The copyright of this contract is the property of the Real Estate Institute of Western Australia (Inc.) and neither the form nor any part of it may be used or reproduced by any method whatsoever or incorporated by reference or in any manner whatsoever in any other documents without the consent of the Institute.

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Exhibit 12.1

CERTIFICATION

I, Joseph James Uel Taylor, certify that:

1. I have reviewed this annual report on Form 20-F of Atlas Pacific Limited;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as at the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting;

July 15, 2004

/s/ Joseph James Uel Taylor

Joseph James Uel Taylor
Principal Executive Officer



Exhibit 12.2

CERTIFICATION

I, Simon Charles Bunbury Adams, certify that:

1. I have reviewed this annual report on Form 20-F of Atlas Pacific Limited;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as at the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

July 15, 2004

/s/ Simon Charles Bunbury Adams

Simon Charles Bunbury Adams
Principal Financial and Accounting Officer



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Page 1 of 1

Exhibit 13.1

**Certificate of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 20-F of Atlas Pacific Ltd (the "Company") for the financial year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joseph J.U. Taylor as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition at the end of the period covered by the Report and result of operations of the Company for the period covered by the Report.

/s/ Joseph J.U. Taylor

Joseph James Uel Taylor
Chief Executive Officer

July 15, 2004

This certificate accompanies this Report pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of section 18 of the Securities Exchange Act of 1934, as amended.



Exhibit 13.2

**Certificate of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 20-F of Atlas Pacific Ltd (the "Company") for the financial year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Simon Adams as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition at the end of the period covered by the Report and result of operations of the Company for the period covered by the Report.

/s/ Simon Adams
Simon Adams
Chief Financial Officer

July 15, 2004

This certificate accompanies this Report pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of section 18 of the Securities Exchange Act of 1934, as amended.