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Why pearl company Atlas entered the perfume and cannabis businesses

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Atlas says it is the only high-quality source of *pinctada maxima* pearls, which are whiter than their creamier Asian counterparts. The other 95 per cent of the oyster housing them used to be mostly wasted, however through Atlas's purchase of a Tasmanian extraction company the shells are being turned into pearl perfumes and anti-ageing powders.

For most of its 25 years, [Essential Oils of Tasmania](#) has been a price taker, selling drums of botanical extract to multinational flavour companies - however its development of a world-first perfume based on pearl extract, and a push to enter the medical cannabis market, are among new initiatives to move up the value chain.

Based in Kingston near Hobart, the steam distillation and solvent extraction business was bought in 2013 by a company itself struggling with commodification - [Atlas Pearls & Perfumes](#).

Those struggles continue - Atlas has [just been forced into an emergency capital raising](#) after discovering the pearls it will harvest at its five South Sea farms over the next six months are 15 per cent smaller than expected, compounding a \$7 million loss (off \$6 million revenue) in the six months to December 31, 2014.

However the Essential Oils of Tasmania (EOT) business, while only accounting for about 10 per cent of Atlas' total revenues today, is being backed to unlock more reliably high-margin revenue streams.

Former Atlas chief financial officer Stephen Gleeson swapped Perth for Hobart to run EOT last year. This isn't his first shot at business reinvention - in the early 2000s, he accompanied struggling nature photographer and Queensland gallery owner Peter Lik to the US, helping him negotiate a temporary lease in Caesar's Palace casino which springboarded Lik to [a successful if controversial business](#) now turning over \$50 million a year.

The pearl extract perfume is Gleeson's attention-grabber in EOT's value-add campaign. Since being acquired by Atlas, EOT had been receiving pallets of pearl shells from Bali, smoothing them down and selling them to China for use in buttons at between \$2 and \$3 a kilogram. Finely grinding those same pearl shells for use in perfume will effectively multiply that price at least ten times, Gleeson says.

The pearl perfume idea was the brainchild of former Atlas executive chairman Stephen Birkbeck. In 1995 he sold his Mount Romance sandalwood business for \$19.5 million, and his contacts in perfumery extended to having Nelson Rocher, an heir to the Yves Rocher fragrance empire, on Atlas's board.

Rocher has just resigned and Birkbeck's responsibilities scaled back to consultant after the recent poor financial results, but not before securing a \$1.1 million Commercialisation Australia Grant matched by EOT to make its commercial extraction aims possible. Some of that money has been spent on two 'Supercritical Carbon Dioxide Extractors', which means no ethanol is involved in the extraction process.

The perfume's uncannily 'beachside' aroma was mastered by Michel Roudnitska in Grasse, France alongside four other perfumes based on EOT-extracted botanicals, including its \$10,000-per-kilogram boronia of which Gleeson says EOT is the world's only producer.

The perfumes will sell for \$69.95 a bottle, initially at “high end” tourist hotspots in Tasmania, like MONA’s Sunday markets.

“I’m not sure I want to go mass market, I’d be lucky to get \$15 a unit out of David Jones,” says Gleeson.

The pearl powder for the perfumes is also being mined for its proteins, and Gleeson is working with a US-based multinational to take its claimed anti-ageing properties into a range of pearl ‘cosmoceuticals’. EOT has spent \$30,000 conducting US consumer trials over the last 12 months.

The blackcurrants and cherries rejected by the major supermarkets - perhaps for hail damage or sun blemish - have also come to Gleeson’s attention.

EOT is grinding the fruit down into a powder it claims are rich in [anthocyanins](#), and talking to a Chinese company about using it for a range of other cosmoceuticals.

EOT has also been named in the Tasmanian parliament as a preferred supplier should medical cannabis get the go-ahead in the state, Gleeson says. The company can extract cannabidiol oil from Indian hemp grown in Tasmania - it contains none of the psychoactive properties of that best-known cannabis component, tetrahydrocannabinol (THC).

With a truffle-based perfume also in the works, Gleeson acknowledges that not all of these new projects may succeed. However he is still targeting a division which in three years has “50 per cent of its revenue coming from this new stuff”. With raw pearls not thought likely to rise much beyond their current \$45 price tag, it’s a target that EOT’s parent will be barracking for.

http://www.brw.com.au/p/business/why_pearl_company_atlas_entered_d0AfUAVQ7mmrLj4dKUH
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