



ASX Release
28 January 2021

Atlas Pearls: September 2020 Quarterly Update and Appendix 4C

Atlas Pearls Ltd (ASX: ATP) (“Atlas” or “the Company”) today announces an update for the Quarter Ending 31 December 2020.

October to December 2020 Quarterly Results

Key items to note for the quarter are:

- Sales events for the quarter delivered revenue of \$5.2m.
- The Company launched its online auction platform in November with a first full harvest online auction held in December 2020. Clients participated in the online auctions from all over the world including Australia, New Zealand, Japan, China, the USA and Spain. Whilst this new sales channel is still in the development phase, early indication suggests that this innovative avenue to market is worth progressing.
- International pearl market conditions remain challenging, with selling prices remaining stagnant in most sectors but some markets are beginning to show signs of improvement.
- Seeding of oysters remain in line with expectations.
- The Company’s revised harvest schedule remains at the 24-month cultivation time (to allow for full pearl development) and, despite logistical challenges from various COVID lockdowns, the Company has harvested 170,000 pearls during the quarter.
- During the quarter, the Company spent \$3.9m on pearling operations including \$1.8m on product manufacturing and operating costs and \$1.5m on staff costs. Please refer to section 1 of the Appendix 4C.
- Related party payments during the quarter total \$11k which relates to the payment of Director fees. Please refer to section 6 of the Appendix 4C.

January to March 2021 Outlook

Key items of note for January to March 2021 are:

- The Company will host its next online auction on 17-18 February. The auction is open for any business that registers for the event.
- Private sales and Indonesian auctions are scheduled for March 2021.
- The Company expects to harvest 150,000 pearls in the March quarter.
- Atlas aims to continue its strategic advantage by promoting pearls “from the source” and ensuring that pearls are always in a distribution network.

END

ABOUT ATLAS PEARLS LTD

Atlas Pearls Ltd (ASX: ATP) is an Australian listed pearling business with core operations in Indonesia established in 1992. Atlas has earned an enviable reputation as a world leading pearl producer of “the queen of all gems”, the South Sea pearl, specialising in high quality white and silver pearls. Atlas operates pearl farms spread across the Indonesian archipelago, including Bali, Flores, and West Papua. Atlas is a fully integrated business including hatchery, seeding, harvesting, grading, trading, design and manufacturing capabilities to sell directly to customers through wholesale partners and via the online distribution networks.

Atlas has been involved since its inception in managing active community relationships in Indonesia in the areas of environment protection, education and alternative livelihood programs.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

ATLAS PEARLS LIMITED

ABN

32 009 220 053

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,198	6,858
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,830)	(2,656)
(c) advertising and marketing	(71)	(120)
(d) leased assets	-	(204)
(e) staff costs	(1,462)	(3,096)
(f) administration and corporate costs	(333)	(646)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(137)	(213)
1.6 Income taxes paid	(53)	(289)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,312	(364)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(613)	(634)
(b) businesses	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(613)	(634)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	503	3,615
3.6 Repayment of borrowings	(651)	(1,137)
3.7 Transaction costs related to loans and borrowings	(60)	(60)
3.8 Dividends paid	-	-
3.9 Other (provide details if material) Repayment of Lease Liabilities	(89)	(184)
3.10 Net cash from / (used in) financing activities	(297)	2,234

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,361	718
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,312	(364)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(613)	(634)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(297)	2,234

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	279	88
4.6	Cash and cash equivalents at end of quarter	2,042	2,042

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,942	1,261
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantee)	100	100
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,042	1,361

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(11)
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payment of Director Fees

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

- NAB Business Overdraft
- Short Term Loan
- Shareholder Loan
- NAB COVID-19 SME Loan

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total financing facilities

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	1,500	1,170
	817	817
	4,500	4,500
	250	250
	-	-
	186	186
	7,253	6,923

7.5 Unused financing facilities available at quarter end

330

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facilities include;

- AUD equivalent of JPY 65m provided by a Commercial Partner
- Shareholder loan of \$4.5m, fully drawn down at 31 December, provided by Boneyard which is repayable in staged repayments by 30 September 2022 at 7.5% fixed interest
- NAB COVID-19 SME Loan payable by 30 June 2023 at 4.5% variable interest
- Other loans are insurance premium funding payable within 12 months

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	1,312
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,042
8.3	Unused finance facilities available at quarter end (Item 7.5)	330
8.4	Total available funding (Item 8.2 + Item 8.3)	2,372
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company expects future sales events from February to June to improve as a large quantity of pearls are being harvested that are showing an improved quality. Diverse distribution networks are being explored which are showing encouraging results.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company does not believe further funding is required as the combination of improved harvest quality and new distribution networks are forecast to fund working capital requirements.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: There is an expectation of improved revenue from a combination of larger pearl sizes, improved pearl quality and increased pearl numbers. The Company has established new distribution channels to access the pearl market more directly.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2021

Authorised by: The Board of Atlas Pearls Ltd

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.