

# ATLAS

PEARLS

INTERIM FINANCIAL REPORT

ABN 32 009 220 053 • 31 DECEMBER 2021



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# DIRECTORS REPORT

Your Directors present their report on the consolidated entity consisting of Atlas Pearls Ltd and the entities it controlled at the end of, or during, the half year ended 31 December 2021, referred to hereafter as, the Company, the Group or Atlas Pearls.

## 1. Directors

The following persons were Directors of Atlas Pearls during the whole of the half year and up to the date of this report unless otherwise stated.

NAME	PERIOD OF DIRECTORSHIP
<b>GEOFF NEWMAN</b> , Executive Chairman B. Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D	Director since 15 October 2010
	Appointed Chairman 16 February 2015
	Appointed Executive Chairman 01 October 2019
<b>TIMOTHY MARTIN</b> , Non-Executive Director BA, M.B.A, G.A.I.C.D	Director since 4 February 2013
<b>CADELL BUSS</b> , Independent Non-Executive Director M.B.A, M.P.M, G.A.I.C.D	Director since 1 February 2018

## 2. Review of Operations

### 2.1 REVIEW OF OPERATIONS

The Company is pleased to report another profitable period (30 June 2021: \$8M profit before tax). This result exceeded the Company's expectations and is the result of a variety of factors.

During the financial year ending 30 June 2021, Atlas Pearls launched its online sales platform, in response to the COVID-19 pandemic, enabling the Company to continue selling its pearls worldwide through uncertain times. The COVID-19 pandemic restricted movement of people, pearls, and resources but through the strategic initiative of the management team, negative impacts were minimal and opportunities to capture new markets were secured.

The online platform facilitated the sale of pearls in line with a 24-month harvest period. When the Company was reliant on traditional auction timing, the pearls often had to be harvested early to meet the auction deadline instead of being able to grow to their full potential. As the Company is now in control of the timing of sales events, pearl quality is improving.

During the uncertainty of the pandemic, Directors, Perth, and Expatriate personnel accepted pay decreases from April through to December 2020. The Board is pleased to report that in December 2021, Atlas has repaid amounts forgone to current employees.

## 3. Financial Result

The Group net profit for the period ended 31 December 2021 is \$4.1M, compared to a \$744k loss in the prior year comparative period.

To give a better picture of the underlying performance, Atlas has adopted Normalised Earnings before interest, taxes, depreciation, amortisation (Normalised EBITDA) as a more effective way to report comparative results.

	6 MONTHS ENDED 31 DEC 21	6 MONTHS ENDED 31 DEC 20
Total revenue from contracts with customers	12,360,776	6,826,155
Net profit/(loss) after tax	4,135,528	(744,208)
Normalised earnings before interest, taxes, depreciation, and amortisation (Normalised EBITDA)	3,909,215	502,850

Reconciliation of Normalised EBITDA to Profit/(Loss) for the half year (Consolidated Statement of Profit or Loss and Other Comprehensive Income)

	6 MONTHS ENDED 31 DEC 21	6 MONTHS ENDED 31 DEC 20
Net profit/(loss) after tax	4,135,528	(744,208)
Tax (benefit)/expense	(690,858)	668,639
Interest net costs	155,742	226,625
Depreciation/Amortisation	145,554	237,573
Foreign exchange (gain)/loss	360,392	565,650
Agriculture standard revaluation (gain)/loss	(197,143)	(499,481)
Other non-operating (income)/expense	-	33,977
Derivative instruments loss/(gain)	-	14,075
<b>NORMALISED EBITDA</b>	<b>3,909,215</b>	<b>502,850</b>

### 3.1 FINANCIAL POSITION

Cash reserves have increased to \$4.4M (30 June 2021: \$3.0M) at 31 December 2021.

Oyster asset values have decreased to \$16.5M during the six months ended 31 December 2021 (30 June 2021: \$17.2M). The quantity of seeded oysters on hand has decreased from 1.3M shells at June 2021 to 1.2M shells at December 2021, due to seasonal timing.

The number of pearls on hand has decreased from 81,289 at 30 June 2021 to 76,546 at 31 December 2021. The value has increased from \$0.5M at 30 June 2021 to \$1.8M at 31 December 2021, due to variation in the quality of stock available.

Borrowings have decreased by \$1.6M to \$2.6M at 31 December 2021 (30 June 2021: \$4.2M). The decrease in borrowings is due to repayments made during the period. Refer to note 8 for further details.

The Company's net tangible assets per share are \$0.055 as at 31 December 2021 which has increased from the position at 30 June 2021 (\$0.043). The number of shares on issue remains unchanged at 427,871,758 (30 June 2021: 427,871,758).

## 4. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6. Signed in accordance with a resolution of the Directors.



**GEOFF NEWMAN**  
Executive Chairman  
24 February 2022



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## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ATLAS PEARLS LIMITED

As lead auditor for the review of Atlas Pearls Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey circular watermark.

**Jarrad Prue**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 24 February 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTES	6 MONTHS ENDING 31 DEC 2021 \$	6 MONTHS ENDING 31 DEC 2020 \$
Revenue from contracts with customers	3	12,360,776	6,826,155
Cost of goods sold		(5,823,861)	(4,558,216)
<b>GROSS PROFIT</b>		<b>6,536,915</b>	2,267,939
Other income		76,528	444,560
Administration expenses	5	(2,402,881)	(2,075,148)
Finance costs		(161,728)	(228,590)
Marketing expenses		(161,631)	(120,306)
Change in fair value less husbandry costs of oysters	4	197,143	499,481
Other expenses	5	(639,676)	(863,505)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>3,444,670</b>	(75,569)
Income tax benefit/(expense)		690,858	(668,639)
<b>PROFIT/(LOSS) AFTER INCOME TAX FOR THE PERIOD</b>		<b>4,135,528</b>	(744,208)
<b>OTHER COMPREHENSIVE INCOME/(LOSSES)</b>			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		1,117,278	(1,590,886)
<b>OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX</b>		<b>1,117,278</b>	(1,590,886)
<b>TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD</b>		<b>5,252,806</b>	(2,335,094)
<b>PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>4,135,528</b>	(744,208)
<b>TOTAL COMPREHENSIVE INCOME/(LOSSES) ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>5,252,806</b>	(2,335,094)
Overall operations:			
<b>EARNINGS PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic earnings profit/(loss) per share (cents)	6	0.97	(0.18)
Diluted earnings per share (cents)	6	0.97	-

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	31 DEC 2021 \$	30 JUN 2021 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,418,218	3,022,311
Trade and other receivables		1,089,518	526,388
Inventories	7	2,042,150	714,952
Biological assets	4	8,807,323	10,419,792
<b>TOTAL CURRENT ASSETS</b>		<b>16,357,209</b>	<b>14,683,443</b>
<b>NON-CURRENT ASSETS</b>			
Intangibles		67,660	87,384
Loans to joint venture entities		-	1,923
Biological assets	4	7,667,630	6,824,384
Property, plant and equipment		5,872,066	5,138,987
Right-of-use assets		646,261	524,582
Deferred tax assets		718,391	791,078
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,972,008</b>	<b>13,368,338</b>
<b>TOTAL ASSETS</b>		<b>31,329,217</b>	<b>28,051,781</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,325,698	636,581
Provisions		2,877,487	2,766,575
Borrowings	8	2,570,863	2,974,645
Lease Liabilities		65,773	61,151
Current tax liabilities		436,744	422,319
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,276,565</b>	<b>6,861,271</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities		226,957	257,413
Borrowings	8	49,780	1,223,929
Deferred tax liabilities		64,481	1,256,238
Provisions		33,873	28,175
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>375,091</b>	<b>2,765,755</b>
<b>TOTAL LIABILITIES</b>		<b>7,651,656</b>	<b>9,627,026</b>
<b>NET ASSETS</b>		<b>23,677,561</b>	<b>18,424,755</b>
<b>EQUITY</b>			
Contributed equity	9	36,857,415	36,857,415
Reserves		(8,607,405)	(9,724,683)
Accumulated losses		(4,572,449)	(8,707,977)
<b>TOTAL EQUITY</b>		<b>23,677,561</b>	<b>18,424,755</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO THE OWNERS OF ATLAS					
	CONTRIBUTED EQUITY	REVALUATION RESERVE	SHARE BASED PAYMENTS	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSS	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$
<b>BALANCES AT 1 JULY 2021</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,083</b>	<b>(10,814,945)</b>	<b>(8,707,977)</b>	<b>18,424,755</b>
<b>PROFIT FOR THE PERIOD</b>	-	-	-	-	<b>4,135,528</b>	<b>4,135,528</b>
Exchange differences on translation of foreign operations	-	-	-	<b>1,117,278</b>	-	<b>1,117,278</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	-	-	-	<b>1,117,278</b>	<b>4,135,528</b>	<b>5,252,806</b>
<b>BALANCE AT 31 DECEMBER 2021</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,083</b>	<b>(9,697,667)</b>	<b>(4,572,449)</b>	<b>23,677,561</b>
<b>BALANCES AT 1 JULY 2020</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,215</b>	<b>(8,878,364)</b>	<b>(15,427,901)</b>	<b>13,641,544</b>
<b>LOSS FOR THE PERIOD</b>	-	-	-	-	<b>(744,208)</b>	<b>(744,208)</b>
Exchange differences on translation of foreign operations	-	-	-	<b>(1,590,886)</b>	-	<b>(1,590,886)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	-	-	-	<b>(1,590,886)</b>	<b>(744,208)</b>	<b>(2,335,094)</b>
Employee share scheme	-	-	<b>(131)</b>	-	-	<b>(131)</b>
<b>BALANCE AT 31 DECEMBER 2020</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,084</b>	<b>(10,469,250)</b>	<b>(16,172,109)</b>	<b>11,306,319</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	6 MONTHS ENDING 31 DEC 21 \$	6 MONTHS ENDING 31 DEC 20 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from pearl and jewellery sales	11,745,138	6,065,430
Proceeds from pearl by-product sales	499,439	793,032
Payments to suppliers and employees	(7,223,894)	(6,782,917)
Income tax paid	(643,945)	(289,037)
Interest paid	(141,575)	(212,668)
Interest received	5,985	1,965
Net cash inflow/(outflow) from operating activities	4,241,148	(424,195)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(963,948)	(634,120)
Net cash outflow from investing activities	(963,948)	(634,120)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(2,164,371)	(1,136,566)
Proceeds from borrowings	587,705	3,615,269
Repayment of the lease liabilities	(38,911)	(184,454)
Net cash (outflow)/inflow from financing activities	(1,615,577)	2,294,249
Net increase in cash and cash equivalents	1,661,623	1,235,934
Cash and cash equivalents at the beginning of the period	3,022,311	718,302
Effects of exchange rate changes on cash and cash equivalents	(265,716)	87,602
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>4,418,218</b>	<b>2,041,838</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. *Basis of Preparation*

### 1.1 BASIS OF PREPARATION OF HALF YEAR REPORT

The consolidated financial report for the half year reporting period ended 31 December 2021 has been prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standard AASB 134 Interim Financial Reporting.

The half year consolidated financial report does not include all notes normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual report for the period ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors and management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments have been amended since the 2020 Financial Statements, as a result of the closure of retail stores.

The operating segments are identified by management based on the location in which the product is sold, whether Australia or Indonesia. Discrete financial information about each of these operating businesses is reported to the Board of Directors and management team on at least a monthly basis.

### 1.2 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also required management to exercise its judgment in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

#### **Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) Pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of products offered, customers, supply chain and employees. Other than as addressed in specific notes, there does not appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably at the reporting date or subsequently because of the Coronavirus (COVID-19) Pandemic.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimate are significant to the financial statement are detailed below:

- a) Determination of market value of biological assets - see note 4

### 1.3 GOING CONCERN

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has recorded a net profit after tax for the period ended 31 December 2021 of \$4.1M (31 December 2020: loss \$0.7M) and net cash inflows from operating activities of \$4.2M (31 December 2020: outflows \$0.4M). At 31 December 2021, the Group had a working capital balance of \$4.7M (30 June 2021: \$4.8M).

The ability of the Group to both meet its debt repayments and continue to fund its working capital requirements are dependent on:

- the quality of harvested pearls meeting valuation expectations;
- the international market for loose pearls continuing to show signs of recovery post COVID-19 initial impacts; and
- the Group continuing to achieve profitable operations with positive operating cash flows.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have reasonable grounds to believe that the Group will continue as a going concern due to the realisation of sales through alternate distribution channels, such as the online auction system, improvements in pearl quality and continued availability of banking facilities (overdraft) and shareholder loans remaining in place in line with their contracted maturity dates.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Group is unable to continue as a going concern.

## 2. Segment Reporting

### 2.1 SEGMENT INFORMATION PROVIDED TO THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

- (i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 31 December 2021 is as follows:

31 DECEMBER 2021	LOOSE PEARLS		
	AUSTRALIA	INDONESIA	TOTAL
Total segment revenue	11,832,488	9,583,261	21,415,749
Inter-segment revenue	-	(9,054,973)	(9,054,973)
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>11,832,488</b>	<b>528,288</b>	<b>12,360,776</b>
<b>TIMING OF REVENUE RECOGNITION</b>			
At a point in time	11,832,488	528,288	12,360,776
Over time	-	-	-
	<b>11,832,488</b>	<b>528,288</b>	<b>12,360,776</b>
<b>NORMALISED EBITDA</b>	<b>2,543,046</b>	<b>1,366,169</b>	<b>3,909,215</b>
<b>ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>2,324,639</b>	<b>1,283,280</b>	<b>3,607,919</b>
<b>TOTAL SEGMENT ASSETS</b>			
<b>31 DECEMBER 2021</b>	<b>4,942,470</b>	<b>25,667,779</b>	<b>30,610,249</b>
30 June 2021	3,128,717	24,129,502	27,258,219
<b>TOTAL SEGMENT LIABILITIES</b>			
<b>31 DECEMBER 2021</b>	<b>(1,176,224)</b>	<b>(3,060,834)</b>	<b>(4,237,058)</b>
30 June 2021	(577,595)	(2,853,735)	(3,431,330)

- (i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 31 December 2020 is as follows

31 DECEMBER 2020	LOOSE PEARLS		
	AUSTRALIA	INDONESIA	TOTAL
Total segment revenue	6,225,674	8,557,694	14,783,368
Inter-segment revenue	-	(7,957,213)	(7,957,213)
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>6,225,674</b>	<b>600,481</b>	<b>6,826,155</b>
<b>TIMING OF REVENUE RECOGNITION</b>			
At a point in time	6,225,674	600,481	6,826,155
Over time	-	-	-
	<b>6,225,674</b>	<b>600,481</b>	<b>6,826,155</b>
<b>NORMALISED EBITDA</b>	<b>(904,500)</b>	<b>1,407,350</b>	<b>502,850</b>
<b>ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>(1,318,490)</b>	<b>1,323,165</b>	<b>4,675</b>
<b>TOTAL SEGMENT ASSETS</b>			
<b>31 DECEMBER 2020</b>	<b>2,214,560</b>	<b>19,216,009</b>	<b>21,430,569</b>
30 June 2020	1,054,973	20,554,284	21,609,257
<b>TOTAL SEGMENT LIABILITIES</b>			
<b>31 DECEMBER 2020</b>	<b>(520,457)</b>	<b>(2,376,849)</b>	<b>(2,897,306)</b>
30 June 2020	(601,255)	(2,695,256)	(3,296,511)

## 2.2 OTHER SEGMENT INFORMATION

### (i) Adjusted net operating profit

The Board of Directors and the management team review monthly the performance of each segment by analysing the segment's net operating profit before tax. A segment's net operating profit before tax excludes non- operating income and expense such as interest paid and received, foreign exchange gains and losses whether realised or unrealised, fair value gains and losses and impairment charges.

A reconciliation of adjusted net operating profit/(loss) before income tax is provided as follows:

	6 MONTHS ENDED 31 DEC 2021	6 MONTHS ENDED 31 DEC 2020
<b>NET OPERATING PROFIT/(LOSS) BEFORE TAX</b>	<b>3,607,919</b>	4,675
Changes in fair value of biological and agricultural assets	<b>197,143</b>	499,481
Foreign exchange gains	<b>70,141</b>	227,180
Foreign exchange losses	<b>(430,533)</b>	(792,830)
Other	-	(14,075)
<b>TOTAL PROFIT/(LOSS) BEFORE INCOME TAX FROM OPERATIONS</b>	<b>3,444,670</b>	(75,569)

### (ii) Segment Assets

Assets are allocated based on the operations of the segment and the physical location of the asset. Reportable segments' assets are reconciled to total assets as follows:

	31 DEC 2021 \$	30 JUN 2021 \$
<b>SEGMENT ASSETS</b>	<b>30,610,249</b>	27,258,219
Unallocated:		
Joint Venture Loans	<b>577</b>	2,484
Deferred tax assets	<b>718,391</b>	791,078
<b>TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>31,329,217</b>	28,051,781

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$1,005,198 (30 June 2021: \$870,061). The total located in Indonesia is \$14,323,615 (30 June 2021: \$12,341,071).

### (iii) Segment Liabilities

Liabilities are allocated based on the operations of the segment and the physical location of the asset. Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 DEC 2021 \$	30 JUN 2021 \$
<b>SEGMENT LIABILITIES</b>	<b>4,237,058</b>	3,431,330
Unallocated:		
Current tax liabilities	<b>436,744</b>	422,319
Borrowings	<b>2,620,643</b>	4,198,574
Lease Liabilities	<b>292,730</b>	318,565
Deferred tax liabilities	<b>64,481</b>	1,256,238
<b>TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>7,651,656</b>	9,627,026

### 3. *Revenue from contracts with customers*

	6 MONTHS ENDING 31 DEC 2021 \$	6 MONTHS ENDING 31 DEC 2020 \$
<b>SALES REVENUE</b>		
Sale of goods	12,360,776	6,826,155
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>12,360,776</b>	<b>6,826,155</b>

### 4. *Biological Assets*

	31 DEC 2021 \$	30 JUN 2021 \$
<b>CURRENT</b>		
Oysters - at fair value	8,807,323	10,419,792
<b>TOTAL CURRENT BIOLOGICAL ASSETS</b>	<b>8,807,323</b>	<b>10,419,792</b>
<b>NON-CURRENT</b>		
Oysters – at fair value	7,667,630	6,824,384
<b>TOTAL CURRENT BIOLOGICAL ASSETS</b>	<b>7,667,630</b>	<b>6,824,384</b>
<b>TOTAL BIOLOGICAL ASSETS</b>	<b>16,474,953</b>	<b>17,244,176</b>

During the six months ended 31 December 2021, no significant events occurred which impacted on oyster mortalities (31 December 2020: none).

There is a fair value adjustment uplift of \$0.2M at 31 December 2021 (31 December 2020: \$0.5M) as a result of the oyster valuation review conducted (refer note 10).

## 5. Profit / (loss) before income tax includes the following specific items

### 5.1 ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	6 MONTHS ENDING 31 DEC 2021 \$	6 MONTHS ENDING 31 DEC 2020 \$
Salaries and wages	1,667,283	1,307,720
Depreciation property, plant and equipment	74,207	60,255
Amortisation of intangible assets	35,438	31,177
Depreciation on right-of-use assets	35,909	146,140
Occupancy costs	62,922	36,689
Compliance and accounting	137,876	174,029
Travel	66,871	45,742
Other	322,375	273,396
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>2,402,881</b>	<b>2,075,148</b>

### 5.2 OTHER EXPENSES

	6 MONTHS ENDING 31 DEC 2021 \$	6 MONTHS ENDING 31 DEC 2020 \$
Loss on foreign exchange	430,533	792,830
Loss on derivative financial instruments	-	14,075
Provision for employee entitlements	48,152	52,047
Share option expense	-	(131)
Other	160,991	4,684
<b>TOTAL OTHER EXPENSES</b>	<b>639,676</b>	<b>863,505</b>

## 6. Earnings / (loss) per share

	6 MONTHS ENDING 31 DEC 2021 \$	6 MONTHS ENDING 31 DEC 2020 \$
Basic earnings/(loss) per share (cents)	0.97	(0.18)
Diluted earnings per share (cents)	0.97	-



## 6.1 EARNINGS RECONCILIATION

	6 MONTHS ENDING 31 DEC 2021 \$	6 MONTHS ENDING 31 DEC 2020 \$
Net profit/(loss) used for basic earnings	4,135,528	(744,208)
After tax effect of dilutive securities	-	-
<b>DILUTED EARNINGS/(LOSS)</b>	<b>4,135,528</b>	<b>(744,208)</b>

	31 DEC 2021 NO.	31 DEC 2020 NO.
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	424,809,620	424,809,620
Adjustments for calculation of diluted earnings per share: options	-	17,448,777
<b>WEIGHTED AVERAGE NUMBER OF POTENTIAL ORDINARY SHARES OUTSTANDING DURING THE PERIOD USED FOR CALCULATION OF DILUTED EARNINGS PER SHARE</b>	<b>424,809,620</b>	<b>442,258,397</b>

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 31 December 2021 as potential ordinary shares which may have a dilutive effect on the profit of the Consolidated Group.

## 7. *Inventories*

	31 DEC 2021 \$	30 JUN 2021 \$
<b>CURRENT</b>		
Pearls	1,798,750	479,651
Jewellery	243,400	235,301
<b>TOTAL CURRENT INVENTORY</b>	<b>2,042,150</b>	<b>714,952</b>

### SIGNIFICANT JUDGEMENT

Pearl inventory is held at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 8. Borrowings

	31 DEC 2021 \$	30 JUN 2021 \$
<b>CURRENT</b>		
Other loans	2,472,483	2,876,265
Bank loans	98,380	98,380
<b>TOTAL CURRENT BORROWINGS</b>	<b>2,570,863</b>	<b>2,974,645</b>
<b>NON-CURRENT</b>		
Other loans	-	1,125,000
Bank loans	49,780	98,929
<b>TOTAL NON-CURRENT BORROWINGS</b>	<b>49,780</b>	<b>1,223,929</b>
<b>TOTAL BORROWINGS</b>	<b>2,620,643</b>	<b>4,198,574</b>

At 31 December 2021 the balance of the loan with Boneyard Investments Pty Ltd (Boneyard), a related party of Mr. T Martin, was \$2.25M (30 June 2021: \$4M). Other loans relate to Insurance Premium Funding repayable by 30 June 2022.

The Boneyard loan is second ranking secured against Atlas assets.

## 9. Contributed equity

	31 DEC 2021 NO. OF SHARES	30 JUN 2021 NO. OF SHARES	31 DEC 2021 \$	30 JUN 2021 \$
Issued and fully paid-up capital	422,909,620	422,909,620	36,857,415	36,857,415
<b>ORDINARY SHARES</b>				
Balance at beginning of period	424,809,620	424,809,620	36,857,415	36,857,415
Shares issued	-	-	-	-
Share transaction costs	-	-	-	-
<b>BALANCE AT END OF PERIOD</b>	<b>424,809,620</b>	<b>424,809,620</b>	<b>36,857,415</b>	<b>36,857,415</b>
<b>TREASURY SHARES</b>				
Balance at beginning of period	3,062,138	3,062,138		
Shares released	-	-		
<b>BALANCE AT END OF PERIOD</b>	<b>3,062,138</b>	<b>3,062,138</b>		

Treasury shares are shares in Atlas Pearls that are held by the Atlas Pearls Ltd Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee share plan. No treasury shares were issued over the half financial year ended 31 December 2021 to employees as part of the Atlas employee share salary sacrifice plan (30 June 2021: Nil).

## 10. Fair Value Measurement of Financial Instruments

### A) FAIR VALUE HIERARCHY

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2021 on a recurring basis:

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>31 DECEMBER 2021</b>				
<b>ASSETS</b>				
Biological Assets	-	-	16,474,953	16,474,953
<b>TOTAL ASSETS</b>	-	-	<b>16,474,953</b>	<b>16,474,953</b>

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>30 JUNE 2021</b>				
<b>ASSETS</b>				
Biological Assets	-	-	17,244,176	17,244,176
<b>TOTAL ASSETS</b>	-	-	<b>17,244,176</b>	<b>17,244,176</b>

## B) VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 AND LEVEL 3 FAIR VALUES

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group is exposed to financial risk in respect of its involvement in primary production, which consists of breeding and rearing of oysters for the purpose of producing pearls. The primary financial risk associated with this activity occurs due to the length of time between expenditure of cash in relation to the operation of the farm and the harvesting of the pearls and realisation of cash receipts from sales to third parties. The Group ensures that it maintains sufficient working capital to ensure that it can sustain its operation through any delays in cash flow that may be reasonably foreseen.

Level 3 analysis: The finance and operations departments undertake the valuation of the oysters. The calculations are considered to be level 3 fair values as the significant inputs used in the model are not based on observable market data. The data is taken from internal management reporting work and work completed by the executive within the respective field teams to determine the material inputs in the model. The key inputs are confirmed with the relevant executives and agree with the Board of Directors every six months. These are listed in point c) below.

(i) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2021. There were also no changes made to any of the valuation techniques applied as of 30 June 2021.

## C) FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 Instruments for the half year ended 31 December 2021:

	31 DEC 2021 \$
<b>OPENING BALANCE 01 JULY 2021</b>	17,244,176
Change in quantity of stock	(1,588,650)
Gains recognised through 'change in fair value'	4,866,738
Losses recognised through 'change in fair value'	(4,047,311)
<b>CLOSING BALANCE AT 31 DECEMBER 2021</b>	<b>16,474,953</b>

(i) Valuation inputs

INPUT	31 DEC 2021	30 JUN 2021	COMMENTARY
Average selling price	<b>¥ 11,076 PER MOMME</b>	¥ 10,457 PER MOMME	Obtained by analysing sales price achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	<b>¥ 83:57 : AUD 1</b>	¥ 83:12 : AUD 1	Based on the forward Yen price per a financial institution.
Average pearl size	<b>0.44</b>	0.45	Based on technical assessment of expected harvest output and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	<b>38%</b>	37%	Based on historical data for pearl grade over the past 12 months.
Discount rate	<b>20%</b>	20%	Based on analysis of comparable primary producers.
Mortality	<b>Historical</b>	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	<b>\$1.85</b>	\$1.69	Based on independent calculation.
Costs to complete	<b>\$0.76</b>	\$0.53	Based on historical averages of costs to complete and sell pearls per momme.

### 11. *Events occurring after the reporting period*

As at report date, the impact of the Coronavirus (COVID-19) pandemic is ongoing. During the beginning of 2021, continued effects of the pandemic were experienced with some jurisdictions encountering further waves of the virus. During the latter part of 2021, as the effects of the pandemic receded in some parts of the world, many economies experienced a rebound in economic activity. However, many uncertainties remain with respect to the possible future course of the pandemic and its ongoing effects. Management continue to observe the developing situation and are responding proactively, ensuring minimum business disruption where possible.

There have been no other material events since the end of the period.

# DIRECTORS' DECLARATION

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The Directors of the Company declare that:

- a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:
  - a. give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of the performance for the period ended on that date; and
  - b. comply with Accounting Standards, and the Corporations Act 2001 and other mandatory professional reporting requirements.
- b) the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with Financial Reporting Standards.
- c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.
- d) in the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- e) This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**GEOFF NEWMAN**

Executive Chairman

Perth, Western Australia

24 February 2022

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atlas Pearls Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Atlas Pearls Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1.3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



### **Responsibility of the directors for the financial report**

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

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

**BDO Audit (WA) Pty Ltd**

BDO  
J Prue

**Jarrad Prue**

**Director**

24 February 2022

# ATLAS

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