

ATLAS PEARLS

29th July 2022

JUNE 2022 QUARTERLY UPDATE & APPENDIX 4C

Atlas Pearls Ltd (ASX:ATP) (“Atlas Pearls” or “the Company”) today announces an update for the Quarter Ending June 2022.

Atlas Pearls announces a cash inflow from operations for the quarter of \$516k. Factors contributing to the positive result include the continued expansion of the digital sales platform and a strong international pearl market.

Travel, both internationally and domestically, is opening up with logistic routes starting to return to normal.



APRIL TO JUNE 2022 QUARTERLY RESULTS

KEY ITEMS TO NOTE FOR THE QUARTER ARE:

- Sales events for the quarter delivered revenue of \$4.6m.
- The Company’s harvest schedule remained in line with expectations. The June quarter commenced with loose pearls stocks of 143,969. During the quarter, 129,941 pearls were harvested and 119,301 sold leaving an opening stock position for the commencement of the September quarter of 154,609. These goods are either available for sale, currently being graded or in transit to sales events.
- The 129,941 pearls harvested in the June quarter followed the trend of those harvested during the March 2022 quarter which showed a decline in quality to those pearls harvested during H1 FY2022. The Company expects this trend to continue to the end of August as these pearls relate to a particular family cohort that will work its way through the production cycle over the next month. The quality of harvests are projected to revert to expectations for pearls scheduled for harvest in September 2022 which will be graded by November 2022.
- The Company spent \$3.5m on pearling operations including \$1.2m on product manufacturing and operating costs and \$2.3m on staff costs. Please refer to section 1 of the Appendix 4C.
- The Company’s latest sales events featured pearls being presented as;

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- a farm specific Banyu Biru harvest online event on 27-28 April 2022, and
 - a combined event where pearls were presented parallel online internationally and physically for inspection in Kobe 17-18 May 2022.
- The Company hosted a stall at the JCK Jewellery show in Las Vegas on 11 to 13 June 2022. The Company attended the event to focus on meet existing customers, engage with prospective customers and to get a feel for the state of the pearl market in the United States. The event was a market research opportunity rather than a sales event and was very useful in understanding the perception and value of pearls within the United States market.
 - The Company continued the development of its multichannel sales strategy with the objective of realising the highest possible price for product across multiple channels. Physical viewing events continued to support the online platform with customers able to see and touch the pearls. The alignment of the online availability and physical inspection of the pearls continues to build confidence in the consistency of the Company's grading system and online purchasing. Additionally, pearl stocks continue to be reviewed and considered more intentionally before being placed into a particular sales channel to ensure the right pearls are being presented to the right customers in the right way to maximise returns.
 - Related party payments during the quarter total approximately \$37,000 which relates to an interest payment and Director fees. Please refer to section 6 of the Appendix 4C.



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JULY TO SEPTEMBER 2022 OUTLOOK

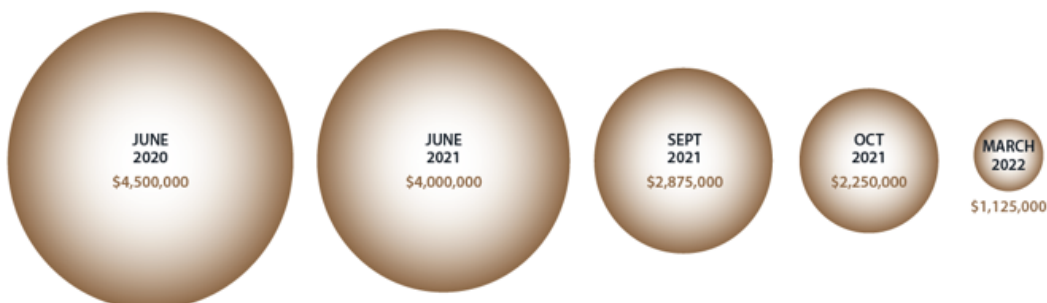
KEY ITEMS OF NOTE FOR JULY TO SEPTEMBER 2022 ARE:

- The Company continues to operate on a 24-month growing cycle from seeding to harvest. The Company is expecting to harvest 150,000 pearls in the quarter and sell approximately 180,000 pearls, utilising stock available at the beginning of the quarter.
- The Company remains focused on operational process improvements to ensure harvest quality is maximised. In Bali, there was recently a face-to-face meeting held with Senior Operations and Management staff to refocus the team on continuous improvement initiatives and execution.
- As part of the Company's multichannel sales strategy, the online platform will continue to play a major role in sales strategy to maximise customer reach and to include customers who cannot physically get to viewing events.
- Physical auctions and private sales are expected to continue as pillars in our sales strategy and remain areas of focus.
- The Company's sales for the September 2022 quarter will be offered in a range of avenues including online only auctions, parallel physical auctions where the goods are made available for inspection at the same time the online auction is running, private sales and online offerings.
- Upcoming events:
 - Online** The latest harvests will be available online from mid-August.
 - Sydney Jewellery Fair** The Company will attend the International Jewellery Fair (IJF) trade show in Sydney on 27 to 29 August 2022, stand G32.
 - Physical Auction** Parallel online and physical offering in Kobe from 30 to 31 August 2022.
 - Singapore Jewellery and Gem World Industry event** The sales team will attend Singapore at the end of September for the Jewellery & Gem World industry trade show event from the 27 to 30 September 2022.

BONEYARD LOAN REPAYMENT

The Boneyard loan balance is \$1,125,000 with the last loan repayment of \$1,125,000 scheduled for 30 September 2022.

BONEYARD LOAN BALANCE



This announcement was approved for release by the Board of Atlas Pearls Ltd.

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ABOUT ATLAS PEARLS LTD

Atlas Pearls Ltd (ASX: ATP) is an Australian listed pearling business with core operations in Indonesia established in 1992. Atlas Pearls has earned an enviable reputation as a world leading producer of South Sea pearls, specialising in the highly sought after white and silver colours. Atlas Pearls operates seven pearl farms throughout the Indonesian archipelago, from the national park lands of Banyu Biru to Flores, and as far east as West Papua. Atlas Pearls is a fully integrated business including hatchery, seeding, harvesting, grading, trading, design and manufacturing capabilities.

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.



OPERATIONAL LOCATIONS

- 1) BANYU BIRU
- 2) NORTH BALI
- 3) PUNGU
- 4) LEMBATA
- 5) WEST LEMBATA
- 6) ALOR
- 7) ALYUI

FORWARD LOOKING STATEMENTS

This announcement contains 'forward-looking information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, harvest figures and sales. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'outlook', 'anticipate', 'project', 'target', 'potential', 'likely', 'believe', 'estimate', 'expect', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast', 'evolve' and similar expressions. Persons reading this announcement are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ATLAS PEARLS LIMITED

ABN

32 009 220 053

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	\$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	4,640	21,821
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,159)	(4,954)
(c) advertising and marketing	(128)	(435)
(d) leased assets	(20)	(79)
(e) staff costs	(2,295)	(8,596)
(f) administration and corporate costs	(417)	(1,749)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	12
1.5 Interest and other costs of finance paid	(23)	(216)
1.6 Income taxes paid	(84)	(818)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	516	4,986

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2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses	-	-
(a) property, plant and equipment	(182)	(1,601)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(a) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(182)	(1,601)

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3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	556
3.6	Repayment of borrowings	(180)	(3,629)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Repayment of Lease Liabilities	(20)	(79)
3.1	Net cash from / (used in) financing activities	(200)	(3,152)

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,924	3,022
4.2	Net cash from / (used in) operating activities (item 1.9 above)	516	4,986
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(182)	(1,601)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(200)	(3,152)
4.5	Effect of movement in exchange rates on cash held	(63)	(260)

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4.6	Cash and cash equivalents at end of quarter	2,995	2,995
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Reconciliation of cash and cash equivalents		Current quarter	Previous quarter
5	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	2,965	2,894
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other - Bank Guarantee	30	30
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,995	2,924

6	Payments to related parties of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(37)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 (\$16k) Interest on loan (\$21k)
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Financing facilities

- 7** *Note: the term “facility’ includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the position*

7.1 Loan facilities

- NAB Business Overdraft
- Short term loan
- Shareholder Loan

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total Financing facilities

7.5 Unused financing facilities available at quarter end

	Total facility amount at quarter end	Amount drawn at quarter end
	\$A'000	\$A'000
	1,500	-
	-	-
	1,125	1,125
	-	-
	-	-
	2,625	1,125
		1,500

- 7.5** Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Loan facilities include:

-Shareholder loan of \$4.5m, drawn to \$1.125m at 30 June, provided by Boneyard which is repayable by 30 September 2022 at 7.5% fixed interest

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8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	516
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,995
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,500
8.4	Total available funding (Item 8.2 + Item 8.3)	4,495
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

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:

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:

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:



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: 29 July 2022

Authorised by: The Board of Directors
(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.
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.
- 2
- 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.