



31 October 2022

## SEPTEMBER 2022 QUARTERLY UPDATE & APPENDIX 4C

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



### JULY TO SEPTEMBER 2022 QUARTERLY RESULTS

KEY ITEMS TO NOTE FOR THE QUARTER ARE:

- Sales events for the quarter delivered total revenue of \$5.2m.
- Atlas Pearls announces a net cash inflow from operations for the quarter of \$0.2m. Factors contributing to the positive result include the digital sales platform and continued strength of the international pearl market.
- The Company spent \$4.7m on pearling operations including \$1.8m on product manufacturing and operating costs and \$2.2m on staff costs. Please refer to section 1 of the Appendix 4C.
- The Company's harvest schedule remained in line with expectations. The September quarter commenced with loose pearls stocks of 152,344. During the quarter, 146,027 pearls were harvested and 147,259 sold leaving an opening stock position for the commencement of the December quarter of 151,112. These goods are either available for sale, currently being graded or in transit to sales events.
- The 146,027 pearls harvested in the September quarter followed the trend of those harvested during the March and June 2022 quarters which showed a decline in quality to those pearls harvested during H1 FY2022. The ongoing buoyant market has offset the slower than forecast quality improvement which have not impacted revenue for the quarter.
- The Company's latest sales featured new harvest pearls and matched value add goods such as single pearls, matched pairs, strands and bracelets at two recent trade events.

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- In late August the Company presented at the International Jewellery Fair (IJF) trade show held in Sydney. This was the first major industry trade event to be held since the re-opening of Australian borders and was an excellent opportunity to re-connect with our domestic customers and reach new potential customers.
- In late September the Company visited Singapore during the Singapore Jewellery and Gem World Industry trade show event and leveraged meeting with customers during this timeframe in this location. Customers from across Asia attended and whilst the trade show was well attended all indications are that this event will return next year to Hong Kong.
- The Boneyard loan repayment of \$1,125,000 due on 30 September 2022 was made during the quarter within the terms of the agreement. The conclusion of this loan marks a significant financial milestone for the Company. The \$4.5m Boneyard loan is now repaid in full and the Company has no short-term loans or loans from trade partners.
- Related party payments during the quarter total \$37,517 which relates to an interest payment and Director fees. Please refer to section 6 of the Appendix 4C.



## OCTOBER TO DECEMBER 2022 OUTLOOK

KEY ITEMS OF NOTE FOR OCTOBER TO DECEMBER 2022 ARE:

- The Company continues to operate on a 24-month growing cycle from seeding to harvest. The Company is expecting to harvest 58,000 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 continue to maximise customer reach. Physical auctions

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and private sales are expected to continue as pillars in our sales strategy and remain areas of focus.

- Mr. Mark Longhurst will be leaving his role as COO of Atlas Pearls Indonesia, President Director of PT Cendana Indopearl and all Indonesian entities, effective 31 December 2022. Mr. Longhurst has been with the business since June 2014 and during that time has built a strong team in Indonesia. The Board sincerely thanks Mr. Longhurst for his work during his tenure. Mr. Longhurst will continue with Atlas Pearls in Australia in a consulting role from January 2023, so his knowledge around the processes, systems and history will not be lost. The role of COO will not be replaced in the short term and Mr. Ricci will oversee the Indonesian team in his role as CEO.
- Upcoming events include:
  - October: New harvest auction to be held online and in Kobe.
  - November: New harvest auction to be held online and in Hong Kong.

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

## 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

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#### 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.



## 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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	5,176	5,176
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,849)	(1,849)
(c) advertising and marketing	(111)	(111)
(d) leased assets	-	-
(e) staff costs	(2,240)	(2,240)
(f) administration and corporate costs	(499)	(499)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(36)	(36)
1.6 Income taxes paid	(216)	(216)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>228</b>	<b>228</b>

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<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses	-	-
(a) property, plant and equipment	(536)	(536)
(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 <b>Net cash from / (used in) investing activities</b>	<b>(536)</b>	<b>(536)</b>

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<b>3 Cash flows from financing activities</b>			
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	688	688
3.6	Repayment of borrowings	(1,331)	(1,331)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Repayment of Lease Liabilities	(68)	(68)
<b>3.1</b>	<b>Net cash from / (used in) financing activities</b>	<b>(711)</b>	<b>(711)</b>

<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	2,995	2,995
4.2	Net cash from / (used in) operating activities (item 1.9 above)	228	228
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(536)	(536)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(711)	(711)
4.5	Effect of movement in exchange rates on cash held	(65)	(65)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,911</b>	<b>1,911</b>

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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	1,881	2,965
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other - Bank Guarantee	30	30
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,911</b>	<b>2,995</b>

### 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
(38)
-

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 (\$17k)  
Interest on loan (\$21k)





## 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

- 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.

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
1,500	-
-	-
-	-
-	-
481	481
<b>1,981</b>	<b>481</b>
	1,500

Loan facilities include:

- Insurance premium funding, repayable by 30 June 2023.

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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)	228
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,911
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)	3,411
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>N/A</b>

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: 31 October 2022

Authorised by: The Board of Directors

## 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.
- 2 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.