ATLAS PEARLS

ATLAS PEARLS LTD - ASX:ATP - ANNUAL REPORT 2023

Producing the world's finest South Sea pearls sustainably and respectfully, while caring for our environment, people, communities, and shareholders.

- CHAIRMAN'S ADDRESS -

Dear fellow Shareholders, on behalf of the Board of Directors of Atlas Pearls Ltd, I am pleased to present to you the Company's 2023 Annual Report.

FY23 was a year of significant achievements for the Company with sales in excess of $27.2M, normalised EBITDA (earnings before interest and tax) of $9.8M, and retirement of the $1.1M final tranche of the Boneyard debt facility, leaving the Company free of debt and with a cash balance of $7.8M at financial year end.

Continuing strong demand and high prices for South Sea pearls was a major contributor to the record performance which, combined with the wider reach and more competitive on-line sales platform, saw prices in some categories two to three times higher than in the recent past.

Results would have been significantly better if the annual harvest of pearls had aligned more closely with the historical trend of the internal quality index measure. However, a portion of the quality issue is attributable to smaller pearl size rather than imperfections on the traditional grading scale, and these smaller but otherwise high-quality pearls have ready markets in both China and Japan.

Pearl quality, which was thought to be impacted by a particular breeding cohort, reached a low point in the middle of the year. We have seen a stabilisation and modest improvement in recent months, with some harvests featuring broodstock from third parties crossed with our own population. These will be important markers for the breeding research work initiated during FY23.

Our improved financial position has enabled the Company to position itself for future growth by:

- Appointing new key personnel to fill some strategic gaps in the management team.
- Commencing the scoping and design of a new vessel to improve productivity.
- Better understanding our markets and identifying the opportunities to grow into them.
- Commencing negotiations to acquire a new farm site.
- Formalising our extensive environmental, social and governance (ESG) program to better communicate to all stakeholders the considerable work we do within the communities where we operate.

Understandably, our shareholders have raised questions around capital management prospects, given our improved performance. The Board has not formulated a dividend policy at this time, due to the inherent uncertainties of aquaculture, the need to fund future operating costs between sales events, and the cyclical swings typical in the luxury goods market. However, in view of the positive earnings reported this year, the Board has resolved to declare a special dividend of 0.35 cents per share (franked to 100%) and payable on 26 September 2023. We will continue to evaluate a dividend policy, but for now consider that the payment of special dividends will be the preferred policy, as and when favourable market circumstances allow.

The last few years have seen a remarkable turnaround in the Company's fortunes, and I want to thank all of our employees for their contribution to our significantly improved financial position. I also want to thank our shareholders who have stuck with us through the lean years, and I look forward to your ongoing support.

Sincerely

Geoff Newman
Chairman - 30 August 2023

- CEO REVIEW OF OPERATIONS -

Operationally, it was a strong production year with the number of pearls harvested exceeding 540,000. Improved profits were as a result of the strong market demand, where average price increased, coupled with a lower cost of goods sold for the year vs FY22.

This profit result was aided by a reduction in aggregated capitalised costs of oysters across the four-year growth cycle. This current four-year cycle included the period of COVID-19, during which our Company implemented a low-cost model to ensure we were as lean as possible. While we recognise that this necessary approach is not a sustainable long-term strategy, it is important to note that the combination of higher average prices and reduced production costs contributed significantly to gross margin, and consequently, our profit result.

As indicated in last year's report, the quality of pearls produced in the second half of FY22 trended downwards. This trend has persisted throughout the current year, primarily driven by a decline in the average pearl size in H1. This reduction in size significantly impacts our perception of quality and how it is measured.

Although we have seen a stabilisation and modest improvement in this measure over H2 FY23, there remains work to be done. During the year the uptick in global demand for pearls has resulted in price increases. These price increases have more than offset the reduction in average size, leading to the attainment of our highest average price for pearls in many years.

As foreshadowed in last year's report, we have repaid the last of our outstanding debt of $1.125M, concluding the year in a strong financial position, with cash in the bank of $7.8M. Furthermore, we have successfully secured an increase of our overdraft facility to $2.5M to provide us with working capital flexibility to better manage our sales cycles and to maximise opportunities.

In view of the improved results in FY23 the Board has resolved to declare a special dividend of 0.35 cents per share (franked to 100%) and payable on 26 September 2023.

Atlas' Pearls performance over the year is largely attributable to the ongoing work and dedication of the entire team across all facets of the business. Their collective efforts were instrumental in executing the initiatives that we identified from an operational and sales perspective. This year, we held two impactful workshops convening senior leaders from operations, sales, and finance. These sessions were pivotal in determining the strategic focal points essential for realising our operational budget goals, whilst also aligning with our longer-term strategy, and are now a permanent fixture in our annual calendar of events.

SALES INITIATIVES

Atlas Pearls is committed to building and executing a strategy that positions us as a multi-channel distribution company, that looks to maximise the value of every pearl that we grow and harvest. This includes our traditional auctions, which have been refined to now be hybrid auctions, allowing customers to physically inspect goods, whilst also allowing remote participants to engage through our online platform. Beyond auctions, pearls are made available for purchase online between events, which has increased customer reach and created competitive tension. This online visibility has generated opportunities to new markets and customers. Furthermore, over the course of the year, we re-engaged with our Australian and international wholesale customers to offer a range of value-add products comprising matched pairs, pearl strands, and a selection of loose pearls.

We have reopened our farm retail operations at North Bali and Alyui. To further expand our retail presence, we eagerly anticipate the reopening of the Pungu retail store in early FY24. Additionally, we are developing a 'Farm Tour' experience for our customers that will provide them with invaluable insights into the intricacies of pearl farming and granting a glimpse into our operations. Beyond the technical aspects, this tour also serves as a conduit to highlight the sustainability of pearls and our operations, showcasing our commitment to the environment, our workforce, and all stakeholders. This immersive experience will epitomise our aspiration to foster a connection between our customers, our pearls, and our collective vision for a sustainable future.

OPERATIONS INITIATIVES

Over the year, progress has been made in a series of pivotal improvements and strategic initiatives aimed at achieving consistency in pearl quality, and improving operational efficiency and productivity. They align with our long-term growth strategy and include:

GENETICS AUDIT

We have a genetics program to understand the breadth of diversity within our broodstock. This initiative commenced with the sampling of approximately 3,500 oysters to enable genetic sequencing of the oysters. This data will be used in a breeding matrix to maximise the diversity of our broodstock to strategically optimise crosses on an individual basis. While this is a long-term project, spanning five to eight years before it will drive substantial change and improvement, it will enrich our understanding and enhancement of oyster genetics. The outcomes of this initiative will pave the way for tangible benefits for our business going forward in the short and longer term.

CONDITIONING SYSTEM

In pursuit of better gamete conditioning during spawning, we have embarked on trials for an advanced 'conditioning system'. Through these trials, we aim to establish robust processes that facilitate enhanced control over our spawning cohorts' physical condition. This will empower us to select oysters from specific families for targeted crossbreeding, thereby further leveraging the benefits of the genetic audit. This initiative underscores our commitment to staying at the forefront of technological and genetic innovation.

DATA CAPTURE

We've initiated a data capture project to centralise, in a cloud-hosted database, almost 250 unique data fields over the four-year life cycle of each production cohort. The aim is to consolidate all the data points that we have across multiple farms and hatcheries into the centralised database. This concerted effort will enable us to extract actionable insights to facilitate informed decisions going forward. In addition to capturing real-time data, we've embarked on the tedious but necessary step of inputting historical data. This will equip us with the means to monitor trends and outcomes in certain key areas of our operations, ushering in data-driven precision to our endeavours.

ESG/SUSTAINABILITY AND COMMUNITY ENGAGEMENT (CSR)

Atlas Pearls has a longstanding commitment to supporting our villages, stakeholders, and communities around our farms. Recognising our role as both neighbours and key employers in our operational areas, we have embarked on the early stages of an ESG (Environmental, Social, and Governance)/sustainability initiative. This will build on the foundation of existing data concerning our environmental impact and ongoing environmental initiatives. The initiative's scope includes the establishment of a centralised co-ordination and measurement system for our already substantial Corporate Social Responsibility (CSR) programs, as well as our continuous improvement in the realms of ESG and sustainability.

NEW OPERATIONS VESSEL

Following preliminary Board approval, we will start shortly construction of a steel vessel that will replace some of our aging fleet. This new vessel is designed to replace existing vessels responsible for transporting seeded shell from our hatcheries and nurseries to our designated grow-out sites. Beyond transportation, it is engineered to facilitate on-board oyster harvesting and seeding activities, within an enhanced operating environment. The vessel will also offer accommodations for our technical team who go from site to site performing crucial harvest and seeding operations. This investment underscores our dedication to leveraging technology for improved efficiency, operational excellence, and a heightened working environment. It will also reduce the capital intensity at new sites as the mobile infrastructure can service multiple sites due to our staggered harvesting schedules.

NEW SITE DISCUSSIONS

We are currently engaged in discussions regarding a potential new farming site. Although our discussions have yielded promising results thus far, there remain some governmental and administrative approvals to be navigated before the finalisation of this endeavour. Our commitment to rigorous due diligence is evident as we work to secure all necessary approvals and pave the way for this exciting new venture. Once approvals are received, we will start to build seeded oyster stocks at this grow-out site, but we will not see harvested pearls from this operations until FY26.

We acknowledge the hard work and dedication from our committed management team who have demonstrated exceptional commitment in executing the strategy into tangible actions, and deftly navigating through periods of change. It is important to emphasise that Atlas Pearls thrives on a culture of continuous improvement and evolution, not just in terms of the perspective of our standard operating procedures related to our oysters, but also in how we view and measure the key aspects of our business.

Our focus remains on the production and distribution of the highest quality, ethically produced, and luxurious pearls in the world, a testament to our commitment to both uncompromising luxury and responsible practices that safeguard our environment and the communities we touch.

Michael Ricci
CEO - 30 August 2023

Oyster nursery North Bali farm site.

- ABOUT ATLAS PEARLS -

Over the past 30 years, Atlas Pearls has become one of the world's largest producers and distributor of the highly sought-after, white and silver South Sea pearls. Operating across 7 farming locations throughout the South Seas, the Company employs more than 1,200 people and in 2023 harvested more than 540,000 pearls.

Atlas Pearls commenced farming in 1993, with its first farm located in Kupang - East Nusa Tenggara and has since gone on to establish a total of 7 farming sites. These locations stretch from the national parks of East Java and as far east as Alyui Bay, Raja Ampat.

Atlas Pearls operates on the fundamental principles of producing the most valued South Sea pearls through ethical, sustainable, and non-extractive processes whereby each pearl is direct from the source.

Through rigorous breeding programs, the Company is able to maintain a supply of healthy, genetically managed oyster stocks, which can then be transported to different farm sites where they grow into healthy mature oysters ready for pearl production.

The movement of oysters between farm sites also enables stock to be positioned in the best possible conditions for their growth, and diversifies the risk of environmental risk factors such as algae and water temperature changes.

With oysters thriving in pristine waters, each farm site works tirelessly with staff and the local community to continuously improve and maintain the health of the oceans in which we operate. Through education and active participation in a range of environmental programs, benefits to both the pearls and local communities are observed.

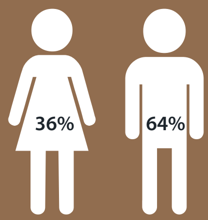
Working across such great distance relies heavily on the support of our experienced workforce of more than 1,200 people. Each farming operation requires a dedicated team who work directly with the oysters from seeding, cleaning, maintaining, and harvesting, alongside operational staff who perform the roles of security, maintenance, engineering, catering, and administration. For many, these remote farm sites provide invaluable employment and training.

South Sea pearl farming is a delicate balance of nature and nurture as the Company continues to strive to supply the best quality pearls to the market, whilst leaving a positive environmental footprint.

Financial report highlights 2023

The Company currently employees more than **1,200** staff across 2 offices and 7 pearl farms.

- Expatriates - Indonesia
- Australia
- Indonesian Nationals (permanent)
- Indonesian Nationals (part time)

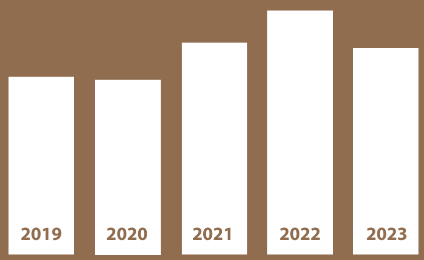


The current gender breakdown across the Company's personnel is 36% Female and 64% Male.

$6.2m

Record revenue achieved at a single sales event.

547,755 pearls were harvested in FY23.



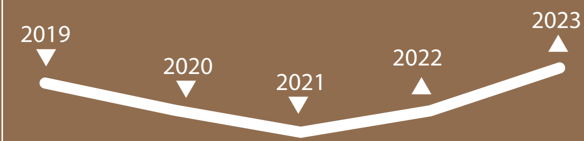
Pearl production has increased by 16% since 2019 to **547,755** in **2023**.

4%

The Company currently has a combined total of **2,865,641** juvenile and mature oysters, an increase of 4% since 2019.

Nucleated oyster stocks have increased **17%** from 2019 to **1,349,236** in 2023.

Atlas Pearls' shift to a more diversified distribution channel has seen an overall change in customer geographical regions as the Company continues to adjust it's sales strategy.



4%

Operating expenses have increased 4% from 2019 to $6.5M in 2023.

Summary of fiscal indicators

	30 JUNE 23 $'000	30 JUNE 22 $'000
Revenue from contracts with customers	**27,200**	21,508
Net profit after tax	**9,088**	4,592
Tax expense	**626**	836
Finance/interest net costs	**60**	238
Depreciation and amortisation	**291**	312
Net foreign exchange loss	**382**	612
Agriculture standard revaluation (gain)	**(641)**	(2,336)
Normalised EBITDA[1]	**9,805**	4,254
EBITDA margin	**36%**	20%
Basic earnings per share (cents)	**2.14**	1.08
Cash and cash equivalents	**7,845**	2,995
Assets	**40,066**	31,516
NTA	**34,084**	24,356
NTA per share (cents)	**8.0**	5.7
Debt (current and non-current)	**-**	1,125
Shareholder funds	**34,084**	24,375
Debt/shareholder funds (%)	**0%**	5%
Number of shares on issue (million)	**427.9**	427.9
Share price at year end (cents)	**4.2**	3.6

1. *Atlas Pearls uses 'normalised EBITDA' to comment on its financial performance and is used internally to evaluate performance. Normalised EBITDA is a non-IFRS financial measure. Non-IFRS measures of financial performance are unaudited. Refer to note 5 for a reconciliation to statutory earnings.*

Directors' Report

The 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 year ended 30 June 2023. Referred to hereafter as, the Company, Atlas Pearls, or the Group.

1. Directors

The following were Directors of Atlas Pearls for all of the financial year and up to the date of this report.

GEOFFREY (Geoff) NEWMAN | BEc (Hons), MBA, FCPA, FAICD

CHAIRMAN

Geoff has more than 30 years' experience in finance, marketing, and general management roles within the resources sector.

In 1995, after managing Bunnings Pulpwood operations, he joined Coogee Chemicals Pty Ltd as Commercial Manager and was appointed to the Board as Finance Director the following year.

Until August 2005, Geoff was Finance Director/Chief Financial Officer and Company Secretary of both Coogee Chemicals Pty Ltd and its oil and gas subsidiary, Coogee Resources Pty Ltd, before retiring from the Coogee Group in June 2006.

APPOINTMENTS:

Chairman - 13/07/2022
Executive Chairman - 01/10/2019
Chairman - 16/02/2015
Director - 15/10/2010

Directorships of other listed companies held in the last three years: Nil

CADELL BUSS | MBA, MPM, GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Cadell is a multi-industry senior executive with over 20 years' experience locally and internationally in marketing, project development, and equity capital markets.

Cadell was the CEO of Western Australia's longest serving stockbroking firm, DJ Carmichael, and has consulted to a number of ASX listed companies with African-based assets. Cadell was previously Project and Finance Director with Luso Global Mining, an angel investor to African-based mining and exploration companies. Cadell is also the founder and Managing Director of Chilwa Minerals Limited (ASX: CHW).

Cadell has a Masters degree in Project Management, an MBA from Murdoch University, Perth, and is a graduate of the Australian Institute of Company Directors.

APPOINTMENTS: **Director** - 01/02/2018

Directorships of other listed companies held in the last three years: Chilwa Minerals Limited (Managing Director appointed 01/02/2022)

TIMOTHY (Tim) MARTIN | BA, MBA, GAICD

NON-EXECUTIVE DIRECTOR

Tim has been an executive manager at Coogee Chemicals Pty Ltd since 2005. He held the position of Managing Director from 2012 - 2015, and was appointed Executive Chairman in July 2015.

Prior to working at Coogee, Tim worked in management roles within the packaged food manufacturing sector, supplying to national supermarket chains, and has ongoing interests in commercial property development.

In 2013, Tim graduated from Harvard University completing their OPM (Owner/President Management) Program.

Tim is a former Director of Plastics and Chemicals Industries Association (PACIA) and a former Director of the Kwinana Industries Council.

APPOINTMENTS: **Director** - 04/02/2013

Directorships of other listed companies held in the last three years: Nil

JOSÉ MARTINS | BAcc, GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

José is a highly regarded finance executive with over 25 years' experience in the management of public and private companies. He has previously held CFO roles with Macmahon Holdings Limited, Ausdrill Limited (now part of Perenti), and Alliance Mining Commodities Limited.

José qualified as a Chartered Accountant in South Africa, and holds a Bachelor of Accountancy (with distinction) from the University of Witwatersrand, Johannesburg, and is a graduate of the Australian Institute of Company Directors.

APPOINTMENTS: **Director** - 17/05/2023

Directorships of other listed companies held in the last three years: GenusPlus Group Limited (Non-Executive Director appointed 03/01/2018)

2. Company Secretary

SUSAN PARK | BCom, ACA, F Fin, FGIA, FCG, GAICD

COMPANY SECRETARY

Susan has over 25 years' experience in the corporate finance sector. She is the founder and Managing Director of consulting firm, Park Advisory, which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies, and has held senior executive roles at Ernst & Young and PricewaterhouseCoopers in the Corporate Finance divisions, and at Bankwest in the Strategy and Ventures division. Susan holds a Bachelor of Commerce from the University of Western Australia majoring in Accounting and Finance, is a Member of the Chartered Accountants Australia and New Zealand, a Fellow of the Financial Services Institute of Australasia and a graduate Member of the Australian Institute of Company Directors. She is also a Fellow of the Governance Institute of Australia and the Chartered Governance Institute.

APPOINTMENTS: **Company Secretary** - 19/12/2012

3. Principal activities

3.1 PRINCIPAL ACTIVITIES

Atlas Pearls produces South Sea pearls, with pearling operations located throughout Indonesia (refer 3.2). Pearls produced are sold through a multi-faceted distribution network. No significant changes in the nature of Atlas Pearls principal activities occurred during the year ended 30 June 2023.

3.2 ABOUT ATLAS PEARLS

Over the past 30 years Atlas Pearls has become one of the world's largest producers of the highly sought after white and silver South Sea pearls. Operating across 7 farming locations throughout the South Seas and employing more than 1,200 people, the Company harvested more than 547,755 pearls this year.

4. Directors' meetings

The attendance at meetings of the Company's Directors including meetings of committees of Directors is shown below:

Director	Period	Directors' meetings	
		Meetings held whilst in office	Attended
Geoff Newman	1 July 22 - 30 June 23	5	5
Tim Martin	1 July 22 - 30 June 23	5	5
Cadell Buss	1 July 22 - 30 June 23	5	5
José Martins	1 July 22 - 30 June 23	-	-

5. Financial review

5.1 SHAREHOLDER RETURNS

	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000
Net profit after tax	**9,088**	4,592	6,720
Basic EPS (cents)	**2.14**	1.08	1.58
Dividends paid	**Nil**	Nil	Nil
Dividends (per share) (cents)	**Nil**	Nil	Nil

The adjustments from net profit after tax to arrive at reported normalised EBITDA for these years are shown below:

	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000
Net profit after tax	**9,088**	4,592	6,720
Tax expense	**626**	836	1,356
Interest net costs	**60**	238	444
Depreciation and amortisation	**291**	312	473
Net foreign exchange loss	**382**	612	445
Agriculture standard revaluation (gain)	**(641)**	(2,336)	(3,989)
Other non-operating expenses	**-**	-	180
Normalised EBITDA	**9,805**	4,254	5,628

5.2 FINANCIAL POSITION

	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000
Total assets	**40,066**	31,516	28,052
Debt (current and non-current)	**-**	(1,125)	(4,199)
Other liabilities	**(5,982)**	(6,016)	(5,428)
Shareholder funds / net assets	**34,084**	24,375	18,425
Debt / shareholder funds	**0%**	5%	23%
Number of shares on issue (million)	**427.9**	427.9	427.9
Net tangible assets per share (cents)	**8.0**	5.7	4.3
Share price at reporting date (cents)	**4.2**	3.6	1.5

There has been an increase in the net assets of the Group of $9.7M in the year ended 30 June 2023 (30 June 2022: $6M increase).

5.2.1 OPERATING RESULTS

The Company is pleased to announce a net profit before tax of $9.7M and a reported inflow of cash from operating activities for the year ended 30 June 2023 of $8.4M.

Atlas Pearls continued evolving its sales distribution plan, learning from each sales event and enhancing the current strategy to meet its customer's needs, ensuring each pearl is reaching its potential.

At an operational level, the farms continue to work assiduously to ensure oyster health is optimised. The passion and dedication shown by all employees translates to beautiful, coveted, South Sea pearls.

The operating revenue for the year ended 30 June 2023 was $27.2M, an increase of $5.7M on prior year (30 June 2022: $21.5M). Administration, finance, and marketing expenses were $6.5M, an increase of $0.8M on prior year (30 June 2022: $5.7M).

5.2.2 REVIEW OF OPERATIONS

5.2.2.1 PEARLING

The Company harvested 547,755 pearls during the period.

The downward trend in pearl quality reported in last year's annual repot persisted, primarily driven by a decline in the average size of the pearls produced in H1. It should be noted that the inherent quality remains good, however, the reduction in average size has exerted a downward pressure on the overall weight sold in FY23. Further upside is possible in FY24 with some harvests featuring broodstock from third parties crossed with our own population.

5.2.2.2 PEARLING VALUE ADDED

Atlas Pearls continues to review and refine its sales strategy with the core objective of ensuring each pearl achieves maximum return. This strategy involves directing pearls through different sales channels whilst also being available online to reach customers globally. This hybrid approach achieves not only reach but competitive tension across the different markets. The Company will continually review and refine to adapt to changing markets.

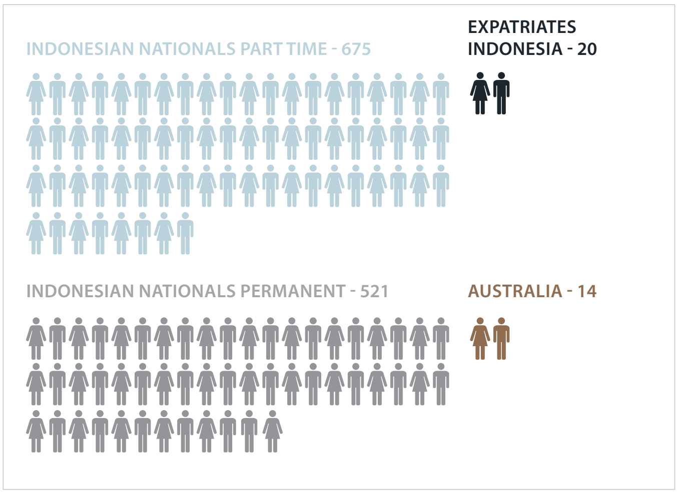
For a detailed review of operations please refer to the CEO's review of operations on page 5.

5.2.3 AUDIT OPINION

The financial report has been audited independently and received an unmodified opinion. Refer to page 22 for the Independent Auditors Report and page 55 onwards for the Auditors Opinion.

5.2.4 PERSONNEL

Staff numbers at the end of the year were as follows:



6. Dividends

In view of the positive earnings reported for the year ended 30 June 2023, the Board has resolved to declare a special dividend of 0.35 cents per share (franked to 100%). No dividends were declared or paid during the year ended 2023 or in the previous financial year.

The Board has not formulated a dividend policy due to the inherent uncertainties of aquaculture, the need to fund future operating costs between sales events, and the cyclical swings typical in the luxury goods market. The Board will continue to evaluate a dividend policy, however the payment of special dividends will be the preferred policy, as and when favourable market circumstances allow.

Key dates:

- Record date for determining entitlement to special dividend: 05 September 2023
- Date the special dividend is payable: 26 September 2023

7. Events since the end of the financial year

On 30 August 2023, the Company declared a final fully franked special dividend of 0.035 cents per share. The total value of the payment is $1.5M. The record date is 05 September 2023 with a payment date of 26 September 2023.

Other than the matter disclosed above, there have been no other significant events after balance date which require disclosure.

8. Likely developments and expected results of operations

The Company endeavours to host oysters in optimal growing locations whilst creating diversification for risk mitigation.

The Company remains committed to the multi-faceted approach to the distribution of the pearls, with the plan to continue increasing customer reach.

9. Directors' interests

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report, are detailed in Section 14.5.3 of the Remuneration Report.

10. Options

During the year ended 30 June 2023, there were no unquoted options issued to employees (30 June 2022: 18,758,055), pursuant to the Atlas Pearls Ltd Employee Share and Incentive Plan.

Refer to note 23.2 for further information.

11. Indemnification and insurance of Directors and officers

11.1 INDEMNIFICATION

The Company has agreed to indemnify all current and former Directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company, except where the liability arises out of conduct which involves negligence, default, breach of duty, or a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

11.2 INSURANCE PREMIUMS

During the financial year the Company has paid insurance premiums of $33,244 (30 June 2022: $27,750) in respect of Directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and officers.

12. Audit and non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services provided during the period are set out below.

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with general standards of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor independence requirements of the *Corporations Act 2001*. The nature of the service or services provided do not compromise the general principles relating to auditor independence because they relate to tax advice in relation to compliance issues and review of the tax provisions prepared by the Company. None of the services undermine the general principles relating to auditor independence as set out in *(APES 110 Code of Ethics for Professional Accountants)*.

The following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms during the year ended 30 June:

	30 June 2023 $	30 June 2022 $
BDO AUSTRALIAN FIRM		
Audit and review of financial reports	**119,710**	96,370
ESG consulting services	**16,995**	-
BDO INDONESIAN FIRM		
Audit and review of financial reports	**49,377**	52,562
Total remuneration for audit services	**169,087**	148,932
Total remuneration for other services	**16,995**	-

13. Proceedings on behalf of the company

No person has applied under section 237 of the *Corporations Act 2001* for leave of court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company has not been a party to any proceedings during the year.

14. Remuneration report (audited)

The Directors are pleased to present your Company's 2023 remuneration report, which sets out remuneration information for Atlas Pearls' Directors and other Key Management Personnel. The information provided in this Remuneration Report has been audited as required by section 308(c) of the *Corporations Act 2001*.

Name	Position
Directors	
Geoff Newman	Executive Chairman, from 1 October to 12 July 2022 Non-Executive Chairman, from 13 July 2022
Tim Martin	Non-Executive Director
Cadell Buss	Independent Non-Executive Director
José Martins	Independent Non-Executive Director, appointed 17 May 2023
Other Key Management Personnel	
Michael Ricci	Chief Executive Officer
Mark Longhurst	Chief Operations Officer, resigned 31 December 2022
Diana Kubicki	Chief Financial Officer, resigned 09 June 2023
Gemma Cann	Chief Financial Officer, appointed 17 July 2023

14.1 REMUNERATION GOVERNANCE

14.1.1 ROLE OF THE BOARD IN REMUNERATION GOVERNANCE

Remuneration governance is the responsibility of the full Board. Primary responsibilities include recommendations for;

- Non-Executive Director fees,
- Remuneration levels of Executive Directors and other Key Management Personnel,
- The overarching Executive remuneration framework and the operation of incentive plans, and
- Key performance indicators ('KPIs') and performance hurdles for the Executive team.

The objective is to ensure that remuneration policies and structures are fair and competitive, and are aligned with the long-term interests of the Company.

Assessing performance and claw-back remuneration

KPIs are set annually, with a certain level of consultation with Key Management Personnel. The measures are specifically tailored to the area everyone is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial, as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board considering the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may cancel or defer performance-based remuneration and may also claw-back performance-based remuneration paid in previous financial years.

14.1.2 NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees are reviewed annually by the Board. Consideration is given to the remuneration of comparable companies when setting fee levels.

The Non-Executive Directors' aggregate annual remuneration may not exceed $500,000 (30 June 2022: $500,000) which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Extraordinary General Meeting on 29 April 2022. In the year ending 30 June 2023, the total Non-Executive Directors' fees including retirement benefit contributions were $312,809 (30 June 2022: $122,578).

The base fees for Non-Executive Directors are $72,150 per annum (inclusive of superannuation) (30 June 2022: $71,825 (inclusive of superannuation)).

14.1.3 EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

In determining Executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company to attract and retain key talent
- Aligned to the Company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders.

Executive remuneration framework has three components;

- Base pay and benefits
- Short-term performance incentives (refer section 14.3 for individual detail), and
- Long-term incentives through participation in the Atlas Pearls Ltd Employee Share and Incentive Plan.

Employment contracts are in place between the Company (or its subsidiaries) and all Key Management Personnel. Under these contracts, Key Management Personnel are paid a base salary (which may be provided in the form of cash or non-financial benefits) in accordance with their skills and experience, as well as entitlements including superannuation and accrued annual leave and long service leave.

The Atlas Pearls Ltd Employee Share and Incentive Plan (Plan) provides some senior executives with incentive over and above their base salary (refer section 14.2). The allocation of shares or options under the Plan is not subject to performance conditions of the Company. The reasons for establishing the Plan were:

- To align the interests of senior executives with shareholders. The Plan provides employees with incentive to strive for long-term profitability which is in line with shareholder objectives; and
- To provide an incentive for employees to extend their employment terms with the Company. Pearl farming is a long-term business and the experience of long-serving senior employees is an important factor in the long-term success of the Company.

Short-term Incentives

The Atlas Pearls' Ltd Salaried Employee Bonus Scheme ('STI Plan') is maintained as the primary financial reward for employee performance. The underlying principle of the STI Plan is;

The greater a salaried employee's ability to influence overall group and individual department results, the greater the "at risk" component of their remuneration package should be.

The employee's designated bonus level is expressed as percentage of base salary and determines the maximum bonus payment possible for the employee year-on-year. Calculation of the employee's actual bonus payment takes into consideration:

- the business results of the Company overall;
- the results of the department in which the participant works;
- the employee's individual results against their established quantitative and qualitative KPIs.

The Board shall retain absolute discretion over how the bonus program operates, who participates in it, and all bonus payments generated by it.

The structure of the STI Plan relating to senior executives is outlined in the table below:

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td>Max opportunity</td><td colspan="4">CEO: 15% of FTE fixed remuneration
Other senior executives: 15% of fixed remuneration</td></tr>
<tr><td rowspan="4">Performance metrics</td><td colspan="4">The STI metrics align with the Group's strategic priorities of market competitiveness, operational excellence, shareholder value, and fostering talented and engaged people.</td></tr>
<tr><th>Metric</th><th>Target</th><th>Weighting</th><th>Reason for selection</th></tr>
<tr><td>Consolidated EBITDA</td><td>Budget[1]</td><td>70%</td><td>Reflects improvements in both revenue and cost control</td></tr>
<tr><td>Individual performance metrics</td><td>Specific to individuals[2]</td><td>30%</td><td>Targeted metrics have been chosen that are critical to individual roles and which support the Group's strategic objectives.</td></tr>
<tr><td>Delivery of STI</td><td colspan="4">100% of the STI award is paid in cash no later than three months following the end of the financial year.</td></tr>
<tr><td>Board discretion</td><td colspan="4">The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes.</td></tr>
</table>

1. *The budget for consolidated EBITDA is set as a dollar figure by the Board on an annual basis. The actual EBITDA results achieved are expressed as a percentage of the relevant budget figure. The bonus outcomes are calculated on a sliding scale, with the minimum payment at 90% of budget and maximum payment at 115% of budget*
2. *Individual KPIs are established and agreed between the employee and their manager. This is done either at the annual performance appraisal each year for existing employees, or soon after commencement of employment for new employees.*

Use of remuneration consultants

During the financial year ended 30 June 2023 the Company did not engage any remuneration consultants.

Voting and comments made at the Company's 2022 Annual General Meeting

Atlas Pearls received 99.19% of 'yes' votes on adoption of the renumeration report for the 2022 financial year. 76.21% of 'yes' votes were received on the resolution to re-elect Geoff Newman as Director. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration.

Relationship between Key Management Personnel Remuneration and Performance

Each Key Management Personnel is remunerated on an individual basis.

14.2 DETAILS OF REMUNERATION

The following tables show details of the remuneration received by the Directors and the Key Management Personnel (KMP) of the Group for the current and previous financial period.

		Short-term benefits					Post-employment benefits	Long-term benefits	Share-based compensation		
Name		**Cash salary and fees**	**Salary sacrifice for shares**	**Short-term incentive cash bonus**	**Non-cash monetary benefit[6]**	**Total cash salary, fees and short-term benefits**	**Superannuation benefit**	**Long service leave**	**Bonus Shares**	**Options[7]**	**Total**
		$	$	$	$	$	$	$	$	$	$
Directors (Non-executive)											
Geoff Newman[1]	**2023**	**120,129**	**-**	**-**	**-**	**120,129**	**12,906**	**-**	**-**	**27,244**	**160,279**
	2022	218,469	-	-	-	218,469	21,947	-	-	15,246	255,662
Tim Martin	**2023**	**71,825**	**-**	**-**	**-**	**71,825**	**-**	**-**	**-**	**-**	**71,825**
	2022	61,328	-	-	-	61,328	-	-	-	-	61,328
Cadell Buss	**2023**	**71,825**	**-**	**-**	**-**	**71,825**	**-**	**-**	**-**	**-**	**71,825**
	2022	61,250	-	-	-	61,250	-	-	-	-	61,250
José Martins[2]	**2023**	**8,036**	**-**	**-**	**-**	**8,036**	**844**	**-**	**-**	**-**	**8,880**
	2022	-	-	-	-	-	-	-	-	-	-
Other Key Management Personnel											
Michael Ricci[3]	**2023**	**249,574**	**-**	**26,040**	**-**	**275,614**	**28,549**	**2,812**	**-**	**-**	**306,975**
	2022	4,308	-	-	-	4,308	431	-	-	-	4,739
Mark Longhurst[4]	**2023**	**152,630**	**-**	**-**	**11,123**	**163,753**	**-**	**-**	**-**	**6,045**	**169,798**
	2022	247,885	-	-	39,875	287,760	-	-	-	5,641	293,401
Diana Kubicki[5]	**2023**	**221,483**	**-**	**-**	**-**	**221,483**	**22,820**	**(11,376)**	**-**	**5,064**	**237,991**
	2022	205,977	-	-	-	205,977	21,172	-	-	4,905	232,054
TOTAL 2023	**2023**	**895,502**	**-**	**26,040**	**11,123**	**932,665**	**65,119**	**(8,564)**	**-**	**38,353**	**1,027,573**
TOTAL 2022	**2022**	799,217	-	-	39,875	839,092	43,550	-	-	25,792	908,434

1. *Geoff Newman was Executive Chairman until 12 July 2022, thereafter assuming the role of Non-Executive Chairman.*
2. *José Martins was appointed Non-Executive Director on 17 May 2023.*
3. *Michael Ricci was appointed Chief Executive Officer on 13 June 2022.*
4. *Mark Longhurst ceased as a KMP with effect from 31 December 2022.*
5. *Diana Kubicki resigned as CFO on 09 June 2023.*
6. *Non-Monetary benefits of other KMP includes overseas living allowances as per individual employment contracts.*
7. *Share-based remuneration related to options being recognised over the respective vesting period.*

14.2.1 DETAILS OF REMUNERATION – PERFORMANCE ANALYSIS

The following table indicates the percentage of remuneration relating to options and performance:

Name	30 June 2023 % Performance	30 June 2022 % Performance
Geoff Newman	**17%**	5.96%
Michael Ricci	**9.42%**	0%
Mark Longhurst (ceased as KMP 31 December 2022)	**3.56%**	1.92%
Diana Kubicki (resigned 09 June 2023)	**2.13%**	2.11%

14.2.2 RELATIONSHIP BETWEEN REMUNERATION AND ATLAS PEARLS' PERFORMANCE

The following table shows performance indicators as prescribed by the *Corporations Act 2001* over the past five reporting periods:

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Profit/(loss) for the year	**9,087,744**	4,591,551	6,719,924	(8,076,827)	(3,582,461)
Basic earnings per share	**2.14**	1.08	1.58	(1.90)	(0.84)
Dividend payments	**-**	-	-	-	-
Increase/(decrease) in share price	**17%**	140%	200%	(38%)	(67%)
Total KMP incentives as percentage of profit/(loss) %	**0.8%**	0.6%	0.1%	(0.2%)	(2.5%)

14.3 SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company. Remuneration and other terms of employment for the Chief Executive Officer other KMPs are also formalised in service agreements.

Details of KMP service agreements are set out below:

14.3.1 MICHAEL RICCI (Chief Executive Officer)

Michael has been engaged as Chief Executive Officer of the Group pursuant to an employment agreement between the Group and Michael (Ricci Agreement).

The total annual remuneration payable to Michael under the Ricci Agreement is a salary of $248,000 per annum (exclusive of superannuation) (2022: $224,000) on a part-time basis of four days per week. Michael is also entitled to participate in STIs of up to 15% (2022: 15%) of the base salary and LTIs, as determined by the Board. An STI bonus of $26,040 has been accrued in respect of the financial year ended 30 June 2023 (30 June 2022: nil) under the STI Plan, representing a 70% achievement of the maximum bonus payable.

The Ricci Agreement commenced on 13 June 2022 and employment under the Ricci Agreement will continue until terminated in accordance with the Ricci Agreement (Term). During the Term, the Ricci Agreement may be terminated by the Group at any time:

- by three months written notice to Michael, at which time the Group will immediately pay Michael 3 months base salary in lieu; or
- by summary notice in circumstances where Michael neglects to perform his duties or comply with reasonable or proper direction or engages in serious misconduct.
- Otherwise, the Ricci Agreement may be terminated by Michael at any time for any reason by giving not less than three months' notice in writing to the Group.

Michael is also subject to restrictions in relation to the use of confidential information during and after his employment with the Group ceases, being directly or indirectly involved in a competing business during the continuance of his employment with the Group, and for a period of 12 months after his employment with the Group ceases, on terms which are otherwise considered standard for agreements of this nature.

The Ricci Agreement contains additional provisions considered standard for agreements of this nature.

14.3.2 MARK LONGHURST (Chief Operations Officer)

Mark resigned from the position of Chief Operations Officer on 31 December 2022.

The total remuneration payable to Mark was a base salary for the 2023 financial year of $230,000 per annum (exclusive of superannuation) (2022: $230,000) and non-financial allowances related to living in Indonesia are also included, to a maximum allowance of $22,500 annually. No bonus has been accrued in respect of the financial year ended 30 June 2023.

14.3.3 MS DIANA KUBICKI (Chief Financial Officer)

Diana resigned from the position of Chief Financial Officer on 09 June 2023.

The total remuneration payable to Diana was a base salary for the 2023 financial year of $220,000 per annum (inclusive of superannuation)(2022: $190,000). No bonus has been accrued in respect of the financial year ended 30 June 2023.

14.3.4 GEMMA CANN (Chief Financial Officer)

Gemma was promoted to Chief Financial Officer of the Group with effect from 17 July 2023, pursuant to an employment agreement between the Group and Gemma (Cann Agreement).

The total annual remuneration payable to Gemma under the Cann Agreement is a salary of $180,000 per annum (exclusive of superannuation). Gemma is also entitled to participate in STIs of up to 15% of the base salary and LTIs, as determined by the Board.

The Cann Agreement commenced on 17 July 2023 and employment under the Cann Agreement will continue until terminated in accordance with the Cann Agreement (Term). During the Term, the Cann Agreement may be terminated by the Group at any time:

- by three months' written notice to Gemma, at which time the Group will immediately pay Gemma 3 months' base salary in lieu; or
- by summary notice in circumstances where Gemma neglects to perform her duties or comply with reasonable or proper direction or engages in serious misconduct.

Otherwise, the Cann Agreement may be terminated by Gemma at any time for any reason by giving not less than three months' notice in writing to the Group.

Gemma is also subject to restrictions in relation to the use of confidential information during and after her employment with the Group ceases, being directly or indirectly involved in a competing business during the continuance of her employment with the Group, and for a period of 12 months after her employment with the Group ceases, on terms which are otherwise considered standard for agreements of this nature.

The Cann Agreement contains additional provisions considered standard for agreements of this nature.

14.4 ADDITIONAL INFORMATION OF THE REMUNERATION REPORT

14.4.1 LOANS FROM DIRECTORS AND EXECUTIVES

During the year, the Company repaid its debt funding from Boneyard Investments Pty Ltd, a related party of Tim Martin (Non-Executive Director). As at 30 June 2023 the balance of the loan was nil (30 June 2022: $1.125M).

Refer to note 16.4 for further details of the loan arrangement.

14.4.2 OPTIONS

No options were issued to KMP during the financial year end 30 June 2023 (30 June 2022: 4,955,301 options).

Refer to section 23.2 for details of options on issue.

14.4.3 OTHER KMP TRANSACTIONS

As at 30 June 2023, Director fees of $13,948 are payable (30 June 2022: $5,417).

14.5 SHARE-BASED PAYMENTS COMPENSATION

14.5.1 EMPLOYEE SALARY SACRIFICE SHARE PLAN

There was no salary sacrifice scheme undertaken for the year ended 30 June 2023.

14.5.2 PERFORMANCE OPTIONS

The details relating to performance options allocated to KMP under the Atlas Pearls Ltd Employee Share and Incentive Plan are shown in the table below.

The fair value at grant date is independently determined using a Hoadley Trading and Investment valuation model, which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option.

Name	Date of grant	Entitlement No. of options	Vesting date	Expiry date	Financial year in which options vest	Share price at grant date	Option exercise price	Volatility	Risk free rate	Total value of options at grant date	Fair value
Geoff Newman[1]	29/04/22	510,478	30/06/22	30/09/24	2022	$0.047	$0.065	100%	2.45%	$10,618	$0.0208
Mark Longhurst[1,2]	24/05/22	257,055	30/06/22	30/09/24	2023	$0.042	$0.065	100%	2.53%	$4,524	$0.0176
Diana Kubicki[1,3]	24/05/22	223,526	30/06/22	30/09/24	2023	$0.042	$0.065	100%	2.53%	$3,934	$0.0176
Geoff Newman[1]	29/04/22	765,718	30/06/23	30/09/24	2023	$0.047	$0.070	100%	2.45%	$16,616	$0.0217
Mark Longhurst[1,2]	24/05/22	385,583	30/06/23	30/09/24	2023	$0.042	$0.070	100%	2.53%	$6,941	$0.0180
Diana Kubicki[1,3]	24/05/22	335,290	30/06/23	30/09/24	2023	$0.042	$0.070	100%	2.53%	$6,035	$0.0180
Geoff Newman[1]	29/04/22	1,276,196	30/06/24	30/09/24	2024	$0.047	$0.075	100%	2.45%	$28,332	$0.0222
Mark Longhurst[1,2]	24/05/22	642,639	30/06/24	30/09/24	2024	$0.042	$0.075	100%	2.53%	$11,825	$0.0184
Diana Kubicki[1,3]	24/04/22	558,816	30/06/24	20/09/24	2024	$0.042	$0.075	100%	2.53%	$10,282	$0.0184

Notes:
1. *These unlisted options were approved at the EGM on 29 April 2022 and are subject to the employee remaining engaged as an employee at the date of the prescribed vesting date.*
2. *Mark Longhurst ceased as a KMP with effect from 31 December 2022.*
3. *Diana Kubicki resigned as CFO on 9 June 2023. Unlisted options issued to Diana Kubicki on 24/05/22 with a vesting date of 30/06/24 will therefore be forfeited as she will not meet the vesting criteria noted in note 1. above. Under the terms of the Atlas Pearls Ltd Employee Share and Incentive Plan, Diana Kubicki has 3 months from the date of her resignation to exercise the options that have vested before they are forfeited, unless the board exercises its discretion otherwise.*

14.5.3 EQUITY INSTRUMENTS

The details relating to the equity instruments held by KMP are as follows:

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP

Options and rights granted as compensation:
There were no options issued to KMP as remuneration during the year ended 30 June 2023 (30 June 2022: 5,877,347).

(B) SHAREHOLDINGS

The number of shares in the Company held during the financial year by each Director and the other KMP of the Group, including their personally related parties, are set out below:

	Balance 01/07/22	Granted as compensation	Options exercised	Acquired	Balance 30/06/23
Directors					
Geoff Newman[1]	2,563,443	-	-	-	2,563,443
Tim Martin[2]	110,184,995	-	-	-	110,184,995
Cadell Buss[3]	1,337,000	-	-	-	1,337,000
Michael Ricci[4]	-	-	-	512,800	512,800
	114,085,438	**-**	**-**	**512,800**	**114,598,238**

Notes:

1. *1,847,154 shares held by Mr Geoffrey Grosvenor Newman & Mrs Cheryl Louise Newman <Geryl Super Fund A/C> and 716,289 shares held by Mrs Cheryl Louise Newman & Mr Geoffrey Grosvenor Newman <Geryl A/C>.*
2. *54,907,327 shares are held by Boneyard Investments Pty Ltd, 32,400,000 shares are held by Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>, 17,880,240 shares are held by Jingie Investments Pty Ltd, and 1,000,000 shares are held by Mr Timothy James Martin and Mr William Gordon Martin <TJM Superannuation Fund A/C> of which Tim Martin is a beneficiary, and the remaining balance of 3,997,428 shares are held personally by Tim Martin.*
3. *Shares are held by Cadon Holdings Pty Ltd <Cadon S/F A/C> of which Cadell Buss is a beneficiary.*
4. *Shares were acquired on market and are held by M&K Ricci Pty Ltd <Ricci Super Fund A/C> of which Michael Ricci is a beneficiary.*

(C) OPTION HOLDING

The number of options over ordinary shares in the parent entity held during the year ended 30 June 2023 by each Director and other KMP of the Group, including their personally related parties, is set out below:

	Balance 01/07/22	Granted	Exercised	Forfited /Lapsed	Ceased/ commenced as KMP	Balance 30/06/23	Fully Vested[1]
Directors							
Geoff Newman	2,552,392	-	-	-	-	2,552,392	1,276,196
Other Key Management Personnel							
Mark Longhurst[2]	1,285,277	-	-	-	(1,285,277)	-	642,638
D Kubicki[3]	1,117,632	-	-	-	(1,117,632)	-	558,816
	4,955,301	**-**	**-**	**-**	**(2,402,909)**	**2,552,392**	**2,477,650**

Notes:

1. *1,486,591 Options vested 30 June 2023 (30 June 2022: 991,059).*
2. *Mark Longhurst ceased as KMP with effect from 31 December 2022.*
3. *Diana Kubicki resigned on 09 June 2023.*

15. Rounding of amounts

The Company is of a kind referred to in *ASIC Legislative Instrument 2016/191*, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This is the end of the Audited Remuneration Report.

16. 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 22.

Signed in accordance with a resolution of the Directors.

Geoff Newman
Chairman - 30 August 2023

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

As lead auditor of Atlas Pearls Limited for the year ended 30 June 2023, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

30 August 2023

Transferring baby oysters to nets ready for going to sea.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 $	2022 $
Revenue from contracts with customers	3	**27,200,159**	21,507,913
Cost of goods sold		**(10,897,065)**	(11,569,737)
GROSS PROFIT		**16,303,094**	9,938,176
Administration expenses	5	**(6,021,303)**	(5,000,982)
Finance costs	5	**(74,213)**	(249,842)
Marketing expenses		**(399,911)**	(435,167)
Change in fair value less husbandry costs of oysters	4	**641,493**	2,336,115
Other expenses	5	**(921,161)**	(1,465,813)
Other income	3	**185,890**	305,180
PROFIT BEFORE INCOME TAX		**9,713,889**	5,427,667
Income tax expense	7	**(626,145)**	(836,116)
PROFIT AFTER INCOME TAX		**9,087,744**	4,591,551
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		**446,144**	1,280,099
OTHER COMPREHENSIVE INCOME NET OF TAXES		**446,144**	1,280,099
TOTAL COMPREHENSIVE INCOME		**9,533,888**	5,871,650
PROFIT IS ATTRIBUTABLE TO:			
Owners of the Company		**9,087,744**	
TOTAL COMPREHENSIVE INCOME IS ATTRIBUTABLE TO :			
Owners of the Company		**9,533,888**	5,871,650
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share (cents)	6	**2.14**	1.08
Diluted earnings per share (cents)	6	**2.14**	1.08

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

	Notes	2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents	8	**7,845,286**	2,995,131
Trade and other receivables		**300,619**	240,047
Inventories	9	**3,319,854**	3,167,940
Biological assets	4	**8,916,104**	9,763,861
TOTAL CURRENT ASSETS		**20,381,863**	16,166,979
NON-CURRENT ASSETS			
Intangibles		**-**	18,561
Biological assets	4	**11,340,618**	7,883,366
Property, plant and equipment	11	**6,928,730**	5,905,882
Right-of-use assets		**617,588**	686,707
Deferred tax assets	7	**797,111**	854,108
TOTAL NON-CURRENT ASSETS		**19,684,047**	15,348,624
TOTAL ASSETS		**40,065,910**	31,515,603
CURRENT LIABILITIES			
Trade and other payables	10	**757,374**	810,715
Provisions	10	**2,971,185**	2,731,110
Borrowings		**-**	1,125,000
Lease liabilities		**63,572**	58,048
Current tax liabilities	7	**124,098**	398,583
TOTAL CURRENT LIABILITIES		**3,916,229**	5,123,456
NON-CURRENT LIABILITIES			
Lease liabilities		**159,559**	220,998
Deferred tax liabilities	7	**1,860,885**	1,766,697
Provisions	10	**45,186**	29,616
TOTAL NON-CURRENT LIABILITIES		**2,065,630**	2,017,311
TOTAL LIABILITIES		**5,981,859**	7,140,767
NET ASSETS		**34,084,051**	24,374,836
EQUITY			
Contributed equity	13	**36,857,415**	36,857,415
Reserves	14	**(7,744,682)**	(8,366,153)
Retained earnings / (accumulated losses)		**4,971,318**	(4,116,426)
TOTAL EQUITY		**34,084,051**	24,374,836

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

Consolidated Statement of Changes in Equity

	Notes	Contributed equity $	Revaluation reserve $	Employee share reserve $	Foreign currency translation reserve $	Retained earnings (accumulated losses) $	Total equity $
		Attributable to owner of Atlas Pearls					
BALANCES AT 1 JULY 2022		**36,857,415**	**179,179**	**989,514**	**(9,534,846)**	**(4,116,426)**	**24,374,836**
Net profit for the year		-	-	-	-	9,087,744	9,087,744
Exchange differences on translation of foreign operations	14	-	-	-	446,144	-	446,141
Total comprehensive income		-	-	-	446,144	9,087,744	9,533,885
Transactions with owners in their capacity as owners							
Share-based payments	14	-	-	175,327	-	-	175,327
Balance at 30 June 2023		**36,857,415**	**179,179**	**1,164,842**	**(9,088,702)**	**4,971,318**	**34,084,051**
BALANCES AT 1 JULY 2021		**36,857,415**	**179,179**	**911,083**	**(10,814,945)**	**(8,707,977)**	**18,424,755**
Net profit for the year		-	-	-	-	4,591,551	4,591,551
Exchange differences on translation of foreign operations	14	-	-	-	1,280,099	-	1,280,099
Total comprehensive income		-	-	-	1,280,099	4,591,551	5,871,650
Transactions with owners in their capacity as owners							
Share-based payments	14	-	-	78,431	-	-	78,431
Balance at 30 June 2022		**36,857,415**	**179,179**	**989,514**	**(9,534,846)**	**(4,116,426)**	**24,374,836**

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

Consolidated Statement of Cash Flows

	Notes	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from pearl and jewellery sales		**26,243,479**	20,982,624
Proceeds from pearl by-product sales		**594,162**	838,216
Payments to suppliers and employees		**(17,572,442)**	(15,710,705)
Income tax paid		**(767,211)**	(920,381)
Interest paid		**(62,063)**	(215,713)
Interest received		**14,067**	11,751
Net cash inflow from operating activities	8	**8,449,992**	4,985,792
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(2,155,311)**	(1,600,828)
Net cash outflow from investing activities		**(2,155,311)**	(1,600,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(1,812,806)**	(3,628,515)
Proceeds from borrowings		**687,806**	556,207
Repayment of lease liabilities		**(130,484)**	(79,454)
Net cash outflow from financing activities		**(1,255,484)**	(3,151,762)
Net increase in cash and cash equivalents		**5,039,197**	233,202
Cash and cash equivalents at the beginning of the year		**2,995,131**	3,022,311
Effects of exchange rate changes on cash and cash equivalents		**(189,042)**	(260,382)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**7,845,286**	2,995,131

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

Index of notes to the consolidated financial statements

Notes to the consolidated financial statements

PART A - Basis of preparation

1. Basis of preparation

1.1 BASIS OF PREPARATION

The financial statements cover the consolidated entity of Atlas Pearls Ltd and its subsidiaries. Atlas Pearls is a listed public Company, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' report, which, is not part of these financial statements. The financial statements were authorised for issue by the Directors on 30 August 2023. The Directors have the power to amend and reissue the financial statements.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), IFRS, and the *Corporations Act 2001*. Atlas Pearls is a for-profit entity for the purpose of preparing financial statements.

These financial statements have been prepared under the historical cost basis, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and biological assets and inventories at fair value less cost to sell.

The accounting policies are consistent with those disclosed in the 2022 financial statements, except for the impact of all new or amended standards and interpretations.

1.2 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires 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.

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

(a) Determination of market value of biological assets – see note 4
(b) Write off of inventories – see note 9
(c) Property, plant and equipment depreciation rates - see note 11

PART B - Financial performance

2. Segment reporting

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.

DISAGGREGATION OF REVENUE

The Group derives revenue from the transfer of goods at a point in time in major product lines and geographical regions as shown below.

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.

The accounting policies used by the Group in reporting segments are the same as those detailed throughout the financial statements and in the prior period, except as detailed below.

INTER-ENTITY SALES

Inter-entity sales are recognised on a cost-plus arrangement as per the Advance Pricing Agreement (APA), which was effective 1 July 2017 through to 30 June 2021. The transfer price terms per the APA are between 11.8% and 16.47%. The Company has applied for an extension of the current APA agreement for a further five years, which is being reviewed by the respective tax authorities. At report date the agreement was still being negotiated. Atlas Pearls has chosen to prepare its accounts in line with the previous APA agreement until a new agreement has been signed. These transactions are eliminated within the internal reports. The revenue from external parties, reported to the chief operating decision makers is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Segment revenue reconciles to total revenue from contracts with customers in the statement of profit or loss and other comprehensive income as follows:

	2023	2022
Total segment revenue	**46,877,358**	40,160,833
Inter-segment eliminations	**(19,677,199)**	(18,652,920)
Total revenue from contracts with customers (note 3)	**27,200,159**	21,507,913

Notes to the consolidated financial statements

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 year ended 30 June 2023 is as follows:

30 June 2023	Loose pearls and by-product		
	Australia $	Indonesia $	Total $
Total segment revenue	26,365,847	20,511,511	46,877,358
Inter-segment revenue	-	(19,677,199)	(19,677,199)
Revenue from external customers	**26,365,847**	**834,312**	**27,200,159**
Timing of revenue recognition			
At a point in time	26,365,847	834,312	27,200,159
Over time	-	-	-
	26,365,847	**834,312**	**27,200,159**
Normalised EBITDA	**7,073,425**	**2,731,616**	**9,805,041**
Adjusted net opertating profit before income tax	**6,859,569**	**2,594,382**	**9,453,951**
Depreciation and amortisation	111,962	178,982	290,944
Revaluation of biological assets	-	641,493	641,493
TOTAL SEGMENT ASSETS	**7,651,584**	**31,616,644**	**39,268,228**
Total assets include:			
Additions to non-current assets	31,322	2,123,989	2,155,311
TOTAL SEGMENT LIABILITIES	**(628,574)**	**(3,145,171)**	**(3,773,745)**

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 30 June 2022 is as follows:

30 June 2022	Loose pearls and by-product		
	Australia $	Indonesia $	Total $
Total segment revenue	20,565,831	19,595,002	40,160,833
Inter-segment revenue	-	(18,652,920)	(18,652,920)
Revenue from external customers	**20,565,831**	**942,082**	**21,507,913**
Timing of revenue recognition			
At a point in time	20,565,831	942,082	21,507,913
Over time	-	-	-
	20,565,831	**942,082**	**21,507,913**
Normalised EBITDA	**1,287,569**	**3,062,661**	**4,191,144**
Adjusted net opertating profit before income tax	**1,085,453**	**2,777,063**	**3,703,431**
Depreciation and amortisation	116,055	196,203	312,258
Revaluation of biological assets	-	2,336,115	2,336,115
TOTAL SEGMENT ASSETS	**2,276,144**	**28,384,770**	**30,660,914**
Total assets include: Additions to non–current assets	31,237	1,548,641	1,579,878
TOTAL SEGMENT LIABILITIES	**(479,227)**	**(3,092,214)**	**(3,571,441)**

2.2 OTHER SEGMENT INFORMATION

(i) Adjusted net operating profit

The Board of Directors and the management team review on a monthly basis 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 expenses 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:

	2023 $	2022 $
Segment net operating profit before tax	**9,453,951**	3,703,431
Changes in fair value of biological and agricultural assets	**641,493**	2,336,115
Foreign exchange gains	**171,823**	174,198
Foreign exchange losses	**(553,378)**	(786,077)
TOTAL PROFIT BEFORE INCOME TAX FROM OPERATIONS	**9,713,889**	5,427,667

(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:

	2023 $	2022 $
Segment assets	**39,268,228**	30,660,914
Unallocated:		
Joint venture loans	**571**	582
Deferred tax assets	**797,111**	854,108
TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION	**40,065,910**	31,515,604

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $703,964 (30 June 2022: $786,159). The total located in Indonesia is $15,590,296 (30 June 2022: $12,551,975).

(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:

	2023 $	2022 $
Segement liabilities	**3,773,745**	3,571,441
Unallocated:		
Current tax liabilities	**124,098**	398,583
Borrowings	**-**	1,125,000
Lease liabilities	**223,131**	279,046
Deferred tax liabilities	**1,860,885**	1,776,697
TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION	**5,981,859**	7,140,768

(iv) Normalised EBITDA reconciliation

	2023 $	2022 $
Net profit before tax	**9,713,889**	5,427,667
Finance/interest paid	**60,146**	237,971
Depreciation/amortisation	**290,944**	312,258
Foreign exchange loss	**381,555**	611,879
Agriculture standard revaluation (gain)	**(641,493)**	(2,336,115)
NORMALISED EBITDA	**9,805,041**	4,253,660

3. Revenue

3.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 $	2022 $
Sale of goods	**27,200,159**	21,507,913
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	**27,200,159**	21,507,913

3.2 OTHER INCOME

	2023 $	2022 $
Foreign exchange gains	**171,823**	174,198
Interest income	**14,067**	11,751
Other	**-**	119,112
TOTAL OTHER INCOME	**185,890**	305,180

SIGNIFICANT ACCOUNTING POLICY

Revenue from contracts with customers

Revenue is recognised when the Group transfers control of products to a customer at the amount to which the Group expects to be entitled. Revenue shall be measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by an agreement between the Group and the customer.

Government Grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the loss they are intended to compensate.

Sale of Goods - Wholesale

The Group produces and sells pearls in the wholesale market. Revenue from the sale of goods is recognised at a point in time when control of the product is transferred to the customer, which is typically on delivery.

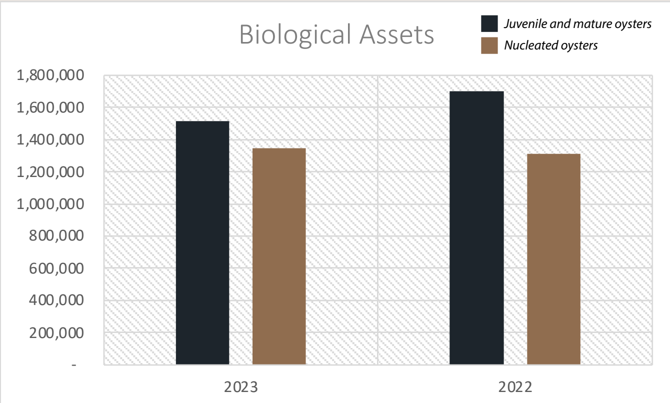
Sale of Goods - Retail

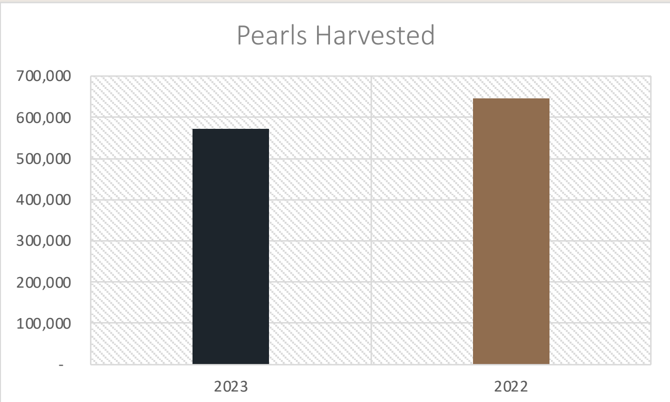
The Group operates an online retail store and farm experience stores selling pearl jewellery. Revenue from the sale of goods is recognised when the Group transfers control of the product to the customer, which is typically at the point of sale.

4. Biological assets

	2023 $	2022 $
Current		
Oysters – at fair value	**8,916,104**	9,763,861
TOTAL CURRENT BIOLOGICAL ASSETS	**8,916,104**	9,763,861
Oysters – at fair value	**11,340,618**	7,883,366
TOTAL NON-CURRENT BIOLOGICAL ASSETS	**11,340,618**	7,883,366
TOTAL BIOLOGICAL ASSETS	**20,256,722**	17,647,227

Biological assets recognised as current assets on the statement of financial position represent the estimated value of the pearls to be harvested within the next 12 months. The details of the biological assets that are held by the Group as at period end are as follows:





SIGNIFICANT ACCOUNTING POLICY

Agricultural assets include pearl oysters, both seeded and unseeded. Seeded oysters are measured at their fair value less estimated husbandry costs. The fair value of these biological assets is determined by using the present value of expected net cash flows from the oysters, discounted using a pre-tax market determined rate. The fair value of unseeded oysters is determined by reference to market prices for this type of asset in Indonesia.

Changes in fair value less estimated husbandry costs of these assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the period they arise.

SIGNIFICANT JUDGEMENT

Fair value should reflect market participant views and market data at the measurement date under current market conditions. The valuation of oysters contains both observable and unobservable inputs. The Group carefully considered these inputs when assessing the fair value of oyster stocks. A fair valuation uplift of $641,493 (2022: $2,336,115 increase) is included in the valuation of biological assets.

The Group is exposed to financial risk in respect of its involvement in primary production, which consists of the 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 the expenditure of cash in relation to the operation of the farm, the the harvesting of the pearls, and realisation of cash receipts from the sale to third parties. The Group ensures that it maintains sufficient working capital to sustain its operations 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 described in note 16.5. The data is taken from internal management reporting and work completed by the executive within the respective field teams to determine the material inputs to the model. The key production inputs are confirmed with the relevant executives and agreed with the Board of Directors every six months. These are listed in note 4.1.

4.1 KEY PRODUCTION ASSUMPTIONS

The key assumptions utilised to determine the fair market value of oysters are detailed below:

Input	2023	2022	2023 Assumptions	2022 Assumptions
Average selling price	¥15,518	¥11,250	Based on sale prices achieved over prior three reporting periods.	Based on sale prices achieved in current reporting period.
Yen exchange rate	¥95.97	¥93.79	No change to prior period.	Based on forward Yen price per a financial institution.
Average pearl size	0.38	0.43	Based on harvest results achieved over prior five reporting periods.	Based on harvest results achieved over prior three reporting periods.
Proportion of marketable grade	34%	38%	Based on harvest results achieved over prior five reporting periods.	Based on harvest results achieved over prior three reporting periods.
Discount rate	20%	20%	No change to prior period.	Based on analysis of comparable primary producers.
Mortality	16%	12%	No change to prior period.	Based on current harvest mortality rates.
Average unseeded oyster value	$1.91	$1.76	No change to prior period.	Based on historical independent valuation.
Costs to complete	$0.59	$0.69	No change to prior period.	Based on current average.

4.2 SENSITIVITY ANALYSIS - OYSTERS

The following tables summarise the potential impact of changes in the key non-production related variables on the oyster valuation:

	Average selling price (¥/Momme)		
	-10% ¥13,966 (Sellable grade) ¥2,008 (Commercial grade)	**No change ¥15,518 (Sellable grade) ¥2,231 (Commercial grade)**	**+10% ¥17,070 (Sellable grade) ¥2,454 (Commercial grade)**
Discount rate	**Profit $**	**Profit $**	**Profit $**
22%	(3,206,133)	(337,714)	2,530,704
20%	(2,927,864)	-	2,927,864
18%	(2,638,362)	351,526	3,341,413

	Average selling price (¥/Momme)		
	-10% ¥13,966 (Sellable grade) ¥2,008 (Commercial grade)	**No change ¥15,518 (Sellable grade) ¥2,231 (Commercial grade)**	**+10% ¥17,070 (Sellable grade) ¥2,454 (Commercial grade)**
FX rate	**Profit $**	**Profit $**	**Profit $**
¥105.57	(5,615,830)	(2,986,629)	(357,428)
¥95.97	(2,927,864)	-	2,927,864
¥86.37	451,092	3,754,395	7,057,699

	Sellable %		
	-10% 31% (Sellable %) 22% (Commercial %)	**No change 34% (Sellable %) 24% (Commercial %)**	**+10% 38% (Sellable %) 27% (Commercial %)**
Av. weight	**Profit $**	**Profit $**	**Profit $**
0.42	686,851	2,927,864	5,169,847
0.38	(2,037,285)	-	2,038,166
0.34	(4,761,420)	(2,927,864)	(1,093,515)

5. Expenses

5.1 ADMINISTRATION EXPENSES

	2023 $	2022 $
Salaries and wages	**4,134,894**	3,501,850
Depreciation property, plant and equipment	**234,616**	154,536
Amortisation of intangible asset	**-**	86,262
Amortisation of right-of-use asset	**56,328**	71,460
Occupancy costs	**115,370**	67,920
Compliance and accounting	**450,595**	395,130
Travel	**386,595**	224,288
Other	**642,905**	499,538
TOTAL ADMINISTRATION EXPENSES	**6,021,303**	5,000,982

5.2 FINANCE COSTS

	2023 $	2022 $
Interest and finance charges payable	**55,893**	231,747
Interest from lease liabilities	**18,320**	18,095
TOTAL FINANCE COSTS	**74,213**	249,842

5.3 OTHER EXPENSES

	2023 $	2022 $
Loss on foreign exchange	**553,378**	786,075
Provision for employee entitlements	**86,558**	226,175
Share option expense (refer to note 23)	**175,328**	78,430
Other	**105,897**	375,133
TOTAL OTHER EXPENSES	**921,161**	1,465,813

6. Earnings

	2023 $	2022 $
Basic earnings per share (cents per share)	**2.14**	1.08
Diluted earnings per share (cents per share)	**2.14**	1.08

6.1 EARNINGS RECONCILIATION

	2023 $	2022 $
Net profit used for basic earnings	**9,087,744**	4,591,551

	2023 $	2022 $
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	**424,809,620**	424,871,758
Adjustments for calculation of diluted earnings per share	**18,689,466**	18,758,055
Weighted average number of potential ordinary shares outstanding during the year used for calculation of diluted earings per share	**443,499,086**	443,567,675

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 30 June 2023 as potential ordinary shares, which may have a dilutive effect on the profit of the Group.

Ordinary shares issued to employees under the Atlas Pearls Ltd Employee Share and Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive.

SIGNIFICANT ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figure used in determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

PART C - Tax

7. Tax

7.1 INCOME TAX EXPENSE

	2023 $	2022 $
(A) THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:		
Current tax	**474,957**	388,692
Deferred tax	**314,179**	731,916
Prior period (over) provision	**(162,994)**	(284,492)
INCOME TAX EXPENSE	**626,145**	836,116
(B) DEFERRED INCOME TAX (REVENUE) EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES:		
Decrease/(increase) in deferred tax assets (excluding tax losses) (note 7.2)	**56,997**	(63,034)
(Decrease)/increase in deferred tax liabilities (note 7.2)	**94,188**	510,497
Decrease/(increase) in opening balances	**162,994**	284,492
DEFERRED TAX EXPENSE	**314,179**	731,915
(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE:		
Profit before income tax expense	**9,713,889**	5,427,667
Tax at the Australian tax rate of 25% (30 June 2022 : 26%)	**2,428,471**	1,356,917
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	**64,642**	28,530
Sundry items	**(14,840)**	(23,671)
Permanent differences	**6,475**	64,166
Difference in overseas tax rates	**(64,767)**	(53,302)
Income tax (over) provided in previous years	**(162,994)**	(284,492)
Utilisation of tax losses	**(1,630,842)**	(252,032)
INCOME TAX EXPENSE	**626,145**	836,116
Weighted average effective tax rates	**6%**	15%
(D) DEFERRED INCOME TAX AT 30 JUNE RELATES TO THE FOLLOWING:		
Deferred tax liabilities		
Fair value adjustment on biological assets	**(133,390)**	(604,734)
Prepayments	**5,189**	(10,001)
Other	**34,012**	104,277
Deferred tax assets		
Difference in accounting and tax depreciation	**(69,422)**	34,972
Stock	**(58,404)**	92,764
Accruals	**(25,685)**	(6,705)
Provisions	**86,144**	(52,052)
Other	**10,371**	(5,946)
DEFERRED (INCOME)	**(151,185)**	(447,425)

For details of the franking account, refer to Note 15

7.2 TAX ASSETS AND LIABILITIES

	2023 $	2022 $
(A) LIABILITIES		
CURRENT		
Income tax payable	124,098	398,583
NON-CURRENT		
Deferred tax liabilities comprises of temporary differences attributable to:		
Agricultural and biological assets at fair value	1,839,386	1,705,996
Prepayments	4,971	10,160
Other	16,528	50,541
TOTAL DEFERRED TAX LIABILITIES	**1,860,885**	**1,766,697**
(B) ASSETS		
Deferred tax assets comprises of temporary differences attributable to:		
Agricultural and biological assets at fair value	34,360	92,764
Accruals	-	25,685
Provisions	629,859	543,715
Tax allowances relating property, plant and equipment	50,516	119,938
Other	82,376	72,006
	797,111	854,108
Previously recognised deferred tax assets	-	-
Tax losses recognised	-	-
TOTAL DEFERRED TAX ASSETS	**797,111**	**854,108**
(C) RECONCILIATIONS		
The overall movement in deferred tax account is as follows:		
Opening balance	(912,583)	(465,159)
(Charge) to statement of profit or loss and other comprehensive income	(314,179)	(731,916)
Decrease in opening balances	162,994	284,492
CLOSING BALANCE	**(1,063,768)**	**(912,583)**

SIGNIFICANT JUDGEMENT

Deferred tax assets

Deferred tax assets and liabilities have been bought to account after considering the level of tax losses carried forward and available to the Group against future taxable profits and the probability within the future that taxable profits will be available against which the benefits of the deductible temporary difference can be claimed.

Losses can be carried forward indefinitely and have no expiry date. The balance of losses available to the Group at 30 June 2023 is $9,042,671 (30 June 2022: $15,556,038).

PART D - Cash flow information

8. Cash and cash equivalents

	2023 $	2022 $
Cash at bank	**7,845,286**	2,995,131
BALANCES PER STATEMENT OF CASH FLOWS	**7,845,286**	2,995,131

Risk exposure

The Group's exposure to interest rate risk is disclosed in note 16. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash not available for use

The Group has cash held as a guarantee as part of their obligations under their lease agreements totalling $29,889 (30 June 2022: $29,696).

8.1 NOTES TO THE CASH FLOW STATEMENT

8.1.1 RECONCILIATION OF CASH

For the purposes of the statement of cash flows, and in line with the accounting policy, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term high liquid investments, with original maturity of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value, and bank overdrafts.

Cash at the end of the financial period as shown in the statement of cash-flows is reconciled to the related items in the statement of financial performance as noted above.

8.1.2 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2023 $	2022 $
Profit after income tax	**9,087,744**	4,591,551
Depreciation and amortisation	**290,944**	312,258
Share-based payments	**175,328**	78,430
Foreign exchange (gain) unrealised	**(253,472)**	(591,443)
Income tax expense	**626,145**	836,116
Agricultural asset fair value (gains)/losses	**(641,493)**	(2,336,115)
Decrease/(increase) in trade and other debtors	**(145,896)**	200,621
Decrease/(increase) in inventories	**(1,325,938)**	1,970,318
(Decrease)/increase in trade and other creditors	**(1,252)**	321,125
Increase/(decrease) in provision	**15,570**	50,352
Increase/(decrease) in taxes	**622,312**	(447,424)
NET CASH OBTAINED IN OPERATING ACTIVITIES	**8,449,992**	4,985,792

As at the date of this report the Company has not entered into any non-cash financing or investing activities.

8.1.3 CREDIT FACILITIES

As at 30 June 2023 the Company had in place a bank overdraft loan facility with the National Australia Bank with a limit of $2.5M (30 June 2022: $1.5M).

PART E - Working capital

9. Inventories

	2023 $	2022 $
Pearls	**3,017,706**	2,925,746
Jewellery	**302,148**	242,194
TOTAL INVENTORY	**3,319,854**	3,167,940
NUMBER OF PEARLS ON HAND	**100,174**	127,761

SIGNIFICANT JUDGEMENT

Pearl and jewellery inventory is held at cost and value assessed based on the fair value of oyster stock at time of harvest. At each reporting date, pearl inventory is reviewed to ensure it is valued at the lower of cost and net realisable value. At 30 June 2023, nil write off of pearl stocks has been recorded (30 June 2022: $nil).

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.

10. Payables

	2023 $	2022 $
Current		
Provisions	**2,971,185**	2,731,110
Trade payables	**659,440**	311,792
Other payables and accrued expenses	**97,934**	498,923
TOTAL CURRENT PAYABLES	**3,728,559**	3,541,825
Other payables and accrued expenses	**45,186**	29,616
TOTAL NON-CURRENT PAYABLES	**45,186**	29,616
TOTAL PAYABLES	**3,773,745**	3,571,441

Non-current other payables comprise of accrued long service leave for employees with more than five years tenure with the Company.

SIGNIFICANT ACCOUNTING POLICY

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. These amounts are unsecured and are usually settled within 30 days of recognition.

PART F - Fixed assets and liabilities

11. Property, plant and equipment

	2023 $	2022 $
(A) NON-PEARLING ASSETS		
Plant and equipment		
- at cost	**594,421**	651,707
- accumulated depreciation	**(503,130)**	(558,591)
	91,291	93,116
Leasehold improvements		
- at cost	**299,596**	292,801
- accumulated depreciation	**(262,169)**	(235,126)
	37,427	57,675
Total non-pearling assets	**128,718**	150,791
(B) PEARLING PROJECT		
Land (leasehold and freehold) and buildings		
- at cost	**3,388,595**	2,516,730
- accumulated depreciation	**(971,274)**	(818,079)
	2,417,321	1,698,651
Plant and equipment, vessels, vehicles		
- at cost	**13,680,437**	12,020,273
- accumulated depreciation	**(9,297,746)**	(7,963,833)
	4,382,691	4,056,440
Total pearling project	**6,800,012**	5,755,091
TOTAL PROPERTY, PLANT AND EQUIPMENT	**6,928,730**	5,905,882

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	2023 $	2022 $
(A) NON-PEARLING ASSETS		
Plant and equipment		
Carrying amount at beginning of the year	**93,116**	96,826
Additions	**38,369**	31,237
Reclassifications/disposals	**(3,552)**	(1,996)
Depreciation	**(38,637)**	(35,471)
Foreign exchange movement	**1,995**	2,520
Carrying amount at end of the year	**91,291**	93,116
Leasehold Improvements		
Carrying amount at beginning of the year	**57,675**	82,617
Additions	**-**	-
Reclassifications/disposals	**-**	-
Depreciation	**(21,235)**	(27,137)
Foreign exchange movement	**987**	2,195
Carrying amount at end of the year	**37,427**	57,675

	2023 $	2022 $
(B) PEARLING PROJECT		
Leasehold land and buildings		
Carrying amount at beginning of the year	**1,698,651**	1,690,761
Additions	**1,640,577**	1,289,707
Reclassifications/disposals	**(840,576)**	(1,280,895)
Depreciation	**(129,835)**	(105,788)
Foreign exchange movement	**48,504**	104,866
Carrying amount at end of the year	**2,417,321**	1,698,651
Plant and equipment, vessels, and vehicles		
Carrying amount at beginning of the year	**4,056,439**	3,268,783
Additions	**476,365**	258,932
Reclassifications/disposals	**840,576**	1,225,389
Depreciation	**(1,106,516)**	(899,288)
Foreign exchange movement	**115,827**	202,623
Carrying amount at end of the year	**4,382,691**	4,056,439
TOTAL CARRYING AMOUNT	**6,928,730**	5,905,882

Reconciliation of depreciation to the Statement of Profit or Loss and Other Comprehensive Income:

	2023 $	2022 $
Depreciation charge	**(1,296,223)**	(1,067,684)
Capitalised depreciation charge	**1,117,934**	898,108
Depreciation of property, plant and equipment (PPE)	**(234,616)**	(169,576)
Depreciation of PPE	**(234,616)**	(169,576)
Amortisation of intangible asset	**-**	(86,263)
Amortisation of Right-Of-Use Asset	**(56,328)**	(56,419)
DEPRECIATION CHARGE (NOTE 5)	**(290,944)**	(312,258)

SIGNIFICANT JUDGEMENT

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. The carrying value of property, plant and equipment and their useful lives are reviewed annually by management to ensure it is not in excess of the recoverable amount of these assets, which is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal.

The cost of fixed assets constructed within the entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future benefit that will flow to the Group which can be reliably measured, in which case the value of the asset is increased. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

Depreciation on property, plant and equipment is calculated on a straight-line basis so as to write off the cost or valuation of property, plant and equipment over their estimated useful lives, commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are unchanged: Freehold Land (5-10%), Leasehold Land and Buildings improvements (5-10%), Vessels (10%), and Plant and Equipment (10-50%). Depreciation on property, plant and equipment which are directly related to Biological Assets are capitalised to the carrying amount of Biological Assets.

The estimations of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

Construction in Progress

Included in pearling project land (leasehold and freehold) and buildings is $1,073,298 (30 June 2022: $604,961) which represents construction of buildings in progress at cost. These expenses will be capitalised within property, plant and equipment when a project is completed.

PART G - Funding, capital management and equity

12. Borrowings

	2023 $	2022 $
Current		
Other loans	-	1,125,000
TOTAL CURRENT BORROWINGS	-	1,125,000
Non current		
Other loans	-	-
TOTAL NON-CURRENT BORROWINGS	-	-
TOTAL BORROWINGS	-	1,125,000

Refer to Note 16.4 for disclosures on financing arrangements currently in place.

SIGNIFICANT ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised in the statement of profit or loss and other comprehensive income.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

13. Contributed equity

	2023 No. of shares	2022 No. of shares	2023 $	2022 $
Issued and fully paid-up capital	**427,871,758**	427,871,758	**36,857,415**	36,857,415
Ordinary shares				
Balance at beginning of year	**427,871,758**	427,871,758	**36,857,415**	36,857,415
Shares issued	**-**	-	**-**	-
Share transaction costs	**-**	-	**-**	-
Balance at end of year	**427,871,758**	427,871,758	**36,857,415**	36,857,415
Treasury shares				
Balance at beginning of year	**3,062,138**	3,062,138		
Shares released	**-**	-		
Balance at end of year	**3,062,138**	3,062,138		

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 during the financial year ended 30 June 2023. (30 June 2022: nil).

(i) RIGHTS

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders (where applicable) and creditors, and are fully entitled to any proceeds of liquidation in proportion to the number of shares held.

(ii) OPTIONS

There are 18,366,884 unlisted options on issue at 30 June 2023 (2022: 18,758,055). Information relating to the Atlas Pearls Ltd Employee Share and Incentive Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the end of the reporting period are set out in note 23.

(iii) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group has a net gearing ratio of nil at 30 June 2023 (30 June 2022 : 5%)

The Group has no external requirements imposed upon it in relation to capital structure.

SIGNIFICANT ACCOUNTING POLICY

Ordinary share capital is recognised at the fair value of the consideration received by the Company and recognised in equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

14. Reserves

	2023 $	2022 $
Foreign currency translation reserve	**(9,088,702)**	(9,534,846)
Employee share reserve	**1,164,842**	989,514
Revaluation reserve	**179,179**	179,179
Total reserves	**(7,744,681)**	(8,366,153)
Movements:		
Foreign currency translation reserve[1]		
Balance at beginning of year	**(9,534,846)**	(10,814,945)
Currency translation differences arising during the year	**446,144**	1,280,099
Balance at end of year	**(9,088,702)**	(9,534,846)
Employee share reserve[2]		
Balance at beginning of year	**989,514**	911,083
Movement in employee share reserve	**175,328**	78,431
Balance at end of year	**1,164,842**	989,514
Revaluation reserve[3]		
Balance at beginning of year	**179,179**	179,179
Balance at end of year	**179,179**	179,179

NOTES:

1. *The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the reporting currency.*
2. *The employee share reserve records the value of equity portion of remuneration paid to employees in the form of shares or other equity instruments.*
3. *The revaluation reserve records the value of increase in the carrying value of assets as a result of revaluation.*

15. Dividends

	2023 $	2022 $
Dividend franking account Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 25%	**1,305,572**	1,305,572

The above amounts represent the balance of the franking account as at the end of the financial period adjusted for:

(i) Franking credits that will arise from the payment of the amount of the provision for income tax;

(ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(iii) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

PART H - Risk management

16. Risk management

16.1 MATERIAL BUSINESS RISKS

Atlas Pearls' approach to managing risk is documented in a Corporate Risk Register reviewed and approved by the Board of Directors. The risk register seeks to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner. The risk registry is reviewed regularly by the Board and is evaluated and updated as the Company's business model evolves and underlying risks change.

The Board has overall responsibility for managing the organisation's risks, and monitors management's actions to ensure they are in line with Company policy.

The following is a summary of the key continuing significant operational risks facing the business and the way in which Atlas Pearls manages these risks:

(I) CORPORATE

The Company manages a number of corporate risks such as safety, recruitment and retention of key employees, tax, foreign exchange, purchasing and procurement, potential lower than anticipated return on capital invested and potential lower underlying earnings. All the aforementioned risks are managed through Atlas Pearls' risk management framework, which includes review and monitoring by management, and the Board.

(II) MATERIAL CONTRACTS

Atlas Pearls may enter into contracts with suppliers that exceed $1M. Some of the key risks associated with these material contracts include cash flow management, contract management, performance and quality of the services being delivered, and reputation. Atlas Pearls manages these material contracts with steering committee reviews, operating reviews, and other strict project management practices. External legal counsel may be involved. Atlas Pearls negotiates favourable payment terms and reviews financial risk to manage cash flow as effectively as possible.

(III) CONSUMER PREFERENCES AND PRICING RISK

Atlas Pearls has exposure to pricing risk in relation to the sale of pearls, specifically the weakening of customer demand resulting in the softening of pearl prices. This risk also encompasses the volatility from shifts in consumer preferences. To address these challenges, we have implemented a multi-channel sales approach that provides the ability to diversify our market presence by creating alternative revenue streams. Additionally, the Company consistently monitors the market, staying attuned to shifts in customer preferences and price trends. By closely tracking these indicators, we can proactively adjust our pricing strategy and sales and marketing efforts to align with evolving market conditions.

(IV) COMPETITION

To address the risk associated with market competition, Atlas Pearls has developed strategies on multiple fronts. The Company continuously invests in research and development activities, to maintain our reputation as a producer of quality pearls, and to innovate and differentiate our products from competitors. We prioritise maintaining strong relationships with our customers, built on trust, quality, and excellence. Atlas Pearls maintains a pricing structure that takes into account market dynamics and competitive positioning. The Company also reviews and assesses industry trends and emerging competitors, allowing Atlas Pearls to proactively adapt our strategies to remain one of the world's largest producers and distributor of South Sea pearls.

(V) OPERATIONAL RISK

Operational risk pertaining to pearl quality are an ongoing risk to Atlas Pearls. The Company's proactive approach involves measures like reviewing seeding procedures and grow-out times, diversifying hatchery brood stock, refining the hatchery spawning strategy, and genetic analysis of broodstock. These risks necessitate the Company applying continuous procedural control at every phase of spat and pearl production. Complementary initiatives encompass a genetics project, probiotics research, and broodstock conditioning. These strategies are closely monitored, with oyster growth and genetics reporting being actively tracked to ensure effective risk management aligned with the Company's broader risk framework.

(VI) COST CONTROLS, INFLATION, AND SUPPLY CHAIN CONSTRAINTS

Rising input costs and supply chain constraints have the potential to reduce profit margins where those costs cannot be recovered from customers. Significant input costs include labour, components and materials, and fuel. Atlas Pearls has the ability to recover costs through the selling price of pearls. The Company sources components and equipment from multiple suppliers and vendors, allowing us to get the most competitive pricing on various input components. The Company employs centralised logistics and purchasing personnel to co-ordinate the movement of components and materials across the Company's pearl farms, and the pricing of those items. Senior management monitors the effectiveness of this process regularly.

(VII) POLITICAL, REGULATORY AND COMPLIANCE

Atlas Pearls is a global company and operates in numerous countries around the world. The Company must comply with a range of governance requirements which are conditions of its ASX listing. New or evolving regulations and international standards are outside the Company's control and can often be complex and difficult to predict. The potential development of international opportunities can be jeopardised by changes to fiscal or regulatory regimes, adverse changes to tax laws and the application thereof, or changes to existing political, judicial or administrative policies, and changing community expectations. Atlas Pearls seeks to manage and minimise this risk through its existing risk management framework including Board approved governance policies which are subject to regular review.

(VIII) ANTI-BRIBERY AND CORRUPTION

Atlas Pearls' business activities and operations are located in jurisdictions with varying degrees of political, economic and judicial stability, including an inherently high risk of bribery and corruption. This exposes Atlas Pearls to the risk of unauthorised payments, or offers of payments, to or by employees or agents that could be in violation of applicable anti-corruption laws. Atlas Pearls has a clear Anti-Bribery and Corruption Policy and internal controls and procedures to protect against such risks. However, there can be no assurances that such controls, policies and procedures will absolutely protect Atlas Pearls from potentially improper or criminal acts.

(IX) ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

Atlas Pearls has a longstanding commitment to supporting our villages, stakeholders, and communities around our farms. Building on our ongoing environmental initiatives, and in a conscious approach to building a sustainable business, the Board has begun the process of developing a reporting framework to manage and monitor the Company's ESG impact. The Company continues to monitor and review future impacts as new information and data becomes available.

16.2 FINANCIAL RISK

(I) FINANCIAL RISK

The Group's activities expose it to a variety of financial risks (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Group uses sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk. Risk management is carried out by the Board of Directors and senior management.

The Group holds the following financial instruments:

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	**7,845,286**	2,995,131
Trade and other receivables	**300,619**	240,047
TOTAL FINANCIAL ASSETS	**8,145,905**	3,235,178
Financial liabilities		
Trade and other payables	**706,253**	450,214
Lease liabilities	**223,132**	279,046
Borrowings	**-**	1,125,000
TOTAL FINANCIAL LIABILITIES	**929,385**	1,854,260

(II) FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen ('JPY'), Indonesian Rupiah ('IDR') and US Dollar ('USD'). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not the entity's functional currency, and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group manages their foreign exchange risk against their functional currency. Group companies review exposure on a regular basis and will undertake hedging, if deemed appropriate, under guidance of the Board of Directors. The majority of the Group's cash reserves are held in Australian banks with AAA ratings.

GROUP SENSITIVITY ANALYSIS

Sensitivity analysis is based on exchange rates in USD and JPY increasing or decreasing by 10% and the effect on profit and equity.

	Statement of financial position amount AUD		Foreign exchange rate risk							
			30 June 2023				30 June 2022			
			-10%		10%		-10%		10%	
	2023	2022	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets										
Cash	**7,845,286**	2,995,131	**622,701**	-	**(509,483)**	-	117,148	-	(95,848)	-
Trade and other receivables	**300,619**	240,047	**1,857**	-	**(1,519)**	-	4,520	-	(3,698)	-
Financial liabilities										
Trade and other payables	**706,253**	450,214	**(2,820)**	-	**2,307**	-	(171)	-	140	-
Borrowings	**-**	1,125,000	**-**	-	**-**	-	-	-	-	-
Total Increase/(Decrease)			**621,738**	-	**(508,695)**	-	121,497	-	(99,406)	-

Trade debtors relates to sales made in JPY and USD. Current borrowings are all held in AUD. Not shown in the table above is the exposure to exchange movements on the inter-company loans made to the Indonesian subsidiaries. The loans are held in IDR and revalued to AUD at each year end. The loan balance as at 30 June 2023 was $3,690,050 (30 June 2022: $4,590,938). The inter-company loans are eliminated on consolidation.

(iii) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's main interest rate risk arises from its borrowings, which were repaid on 30 September 2022. As such the Group considers that any fair value interest rate risk or cash flow risk will be immaterial.

(iv) PRICE RISK

The Group is exposed to fluctuations in pearl prices. This product is not traded as a commodity on an open market and as such the price risk cannot be hedged.

16.3 CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables. The Group considers the credit quality of the customer, taking into account its financial position, past experience, and other factors. Sales to retail customers are required to be settled in cash or using major credit cards, thus mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

All cash balances held at banks are held at internationally recognised institutions. The Australian Government has guaranteed all deposits held with Australian banks, cash held in Indonesia is not covered by this guarantee. The majority of other receivables held are with related parties and within the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

Impairment of financial assets

The Group hold trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the AASB 9 simplified approach to measuring the expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses have been grouped based on shared credit risk characteristics and the days past due.

The assessment for expected credit losses requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Major purchases are invoiced as cash on delivery (COD). Smaller accounts are provided 30-day credit terms and are usually paid by their due date.

On that basis, the loss allowance as at 30 June 2023 and 30 June 2022 was determined to be nil.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

	2023 $	2022 $
TRADE RECEIVABLES		
Existing customers with no previous defaults	**31,265**	72,437

16.4 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Management aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments such as on call deposits that are highly liquid. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (Note 8) on the basis of expected cash flows. This is generally carried out by the Senior Management and the Board of Directors on a Group basis. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies, and considering the level of liquid assets necessary to meet these, and monitoring debt financing plans.

16.5 FINANCING ARRANGEMENTS

The Group had access to the following borrowing facilities at the reporting date.

	2023 $	2022 $
Overdraft facility (NAB)	**2,500,000**	1,500,000
Loans	-	1,125,000
	2,500,000	2,625,000

During the year ended 30 June 2023, the Company increased the $1.5M working capital overdraft facility by a further $1.0M to $2.5M with the National Australia Bank (NAB). The overdraft facility will be secured by a registered company charge over the Company's assets. As at 30 June 2023 no amount has been drawn down on this facility (30 June 2022: nil).

On 27 August 2020, the Group entered into a $4.5M loan agreement with Boneyard Investments Pty Ltd (Boneyard) whereby Boneyard has agreed to make a revolving loan facility available to Atlas Pearls at an interest rate of 7.5% per annum. The loan was repaid in full and the loan finalised on 30 September 2022.

16.5 MATURITIES OF FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

The table below analyses the Group's financial liabilities, net and gross settled derivative financial instruments, into relevant maturity groupings based on their remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual un-discounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	30 June 2023						30 June 2022					
	Less than 6 months	6 - 12months	Between 1 and 2 Years	Between 2 and 5 Years	Total contractual cash flows	Carrying amount (asset)/ liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 Years	Between 2 and 5 Years	Total contractual cash flows	Carrying amount (asset)/ liabilities
Consolidated entity	$	$	$	$	$	$	$	$	$	$	$	$
Non-derivatives												
Trade payables	**706,253**	**-**	**-**	**-**	**706,253**	**706,253**	450,214	-	-	-	450,214	450,214
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	1,125,000	-	-	-	1,125,000	1,125,000
Lease liabilities	**30,553**	**33,021**	**69,878**	**89,680**	**223,132**	**223,132**	27,634	29,972	63,427	158,012	279,046	279,046
TOTAL NON-DERIVATIVES	**736,806**	**33,021**	**69,878**	**89,680**	**929,385**	**1,858,770**	1,602,848	29,972	63,427	158,012	1,854,260	3,708,519

(A) FAIR VALUE HIERARCHY

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and

(c) inputs for the asset/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 30 June 2023 and 30 June 2022 on a recurring basis:

30 June 2023	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Biological assets	-	-	**20,256,723**	**20,256,723**
TOTAL ASSETS	**-**	**-**	**20,256,723**	**20,256,723**

30 June 2022	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Biological assets	-	-	17,647,227	17,647,227
TOTAL ASSETS	**-**	**-**	17,647,227	17,647,227

(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. The data is taken from internal management reporting and work completed by the executive within the respective field teams to determine the material inputs in the model. The key production inputs are confirmed with the relevant executives and agreed 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 period ended 30 June 2023 or 30 June 2022.

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

The following table presents the changes in level 3 instruments for the period ended 30 June 2023:

	2023 $	2022 $
Changes in fair value of oyster stock		
Opening balances 30 June 2022	**17,647,227**	17,244,175
Due to new stock	2,868,438	3,384,465
Due to mortalities	(3,988,080)	(3,347,124)
Due to ageing	5,248,493	8,056,028
Due to harvests	(5,935,534)	(6,854,583)
Due to price changes	4,416,179	(835,734)
CLOSING BALANCE AT 30 JUNE 2023	**20,256,723**	17,647,227

The key assumptions utilised to determine the fair market value of oysters are detailed in note 4.1.

(D) FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

The Group also has no financial instruments (2022: one) which are not measured at fair value in the statement of financial position with the following fair value as at 30 June 2023:

	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Bank Loan	-	-	-	-
Debt financing	-	-	1,125,000	1,125,000
TOTAL NON-CURRENT BORROWING	-	-	1,125,000	1,125,000

Due to their short-term nature, the carrying amounts of the current receivables, current payables, and current borrowings are assumed to approximate their fair value.

PART I - Unrecognised items

17. Events occurring after the reporting period

On 30 August 2023, the Company declared a final fully franked special dividend of 0.035 cents per share. The total value of the payment is $1.5M. The record date is 05 September 2023 with a payment date of 26 September 2023.

Other than the matter disclosed above, there have been no other significant events after balance date which require disclosure.

18. Commitments

Atlas Pearls had one bank guarantee with the National Bank of Australia (NAB) for a total of $29,889 at 30 June 2023 (30 June 2022: $29,814). This guarantee has been taken out to secure the rental of the Atlas Pearls corporate office in Subiaco, Western Australia.

19. Contingencies

The Company's historical tax affairs are regularly subject to audit by the Indonesian Tax Office and this process remains ongoing. There is a possibility that this review program may result in future tax liabilities in relation to prior year tax returns. All assessments received to date have been brought to account.

PART J - Other

20. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 25.2.

Name of entity	Class of shares	Percentage owned 30 June 2023	Percentage owned 30 June 2022	Place of incorporation
Perl'Eco Pty Ltd	Ord	100%	100%	Australia
Tansim Pty Ltd	Ord	100%	100%	Australia
Atlas Pearls Employee Share Plan Pty Ltd	Ord	100%	100%	Australia
World Senses Pty Ltd*	Ord	50%	50%	Australia
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia
P.T Disthi Mutiara Suci	Ord	100%	100%	Indonesia
P.T Cahaya Bali	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd*	Ord	100%	100%	Malaysia

** dormant*

The ultimate parent entity, Atlas Pearls Ltd, is incorporated in Australia.

21. Related party transactions

(A) SUBSIDIARIES

Interests in subsidiaries are set out in note 20.

(B) KEY MANAGEMENT PERSONNEL

Detailed remuneration disclosures are provided in section 14.2 of the Directors Report.

	2023 $	2022 $
Short-term employment benefits	**932,665**	962,664
Long-term employment benefits	**(8,564)**	12,692
Post-employment benefits	**65,119**	57,357
Share-based compensation	**38,553**	29,839
	1,027,573	1,062,552

(c) TRANSACTIONS WITH OTHER RELATED PARTIES

	2023 $	2022 $
Director fees payable[1]	**1,706**	5,417
Expatriate medical insurance expenses[2]	**11,123**	10,543
	12,829	15,960

1. *Non-Executive Director, Tim Martin is a director of Boneyard Investments Pty Ltd (note 17.4) and a substantial shareholder of the Company (Additional ASX information: note (C)).*
2. *Expatriate medical insurance expenses relating to the spouse of Mark Longhurst, KMP until 31 December 2022.*

(D) LOANS FROM RELATED PARTIES

Refer to Note 16.4 for detailed disclosures on financing arrangements. Loans detailed below are accounted for under current and non-current liabilities (see note 12).

	2023 $	2022 $
Beginning of the year	**1,125,000**	4,000,000
Loans advanced from	**-**	-
Principal repayments	**(1,125,000)**	(2,875,000)
Interest charged	**21,267**	184,777
Interest paid	**(21,267)**	(184,777)
END OF YEAR	**-**	1,125,000

(E) CONTINGENT LIABILITIES RELATING TO JOINT VENTURES

Each of the partners in World Senses Pty Ltd are jointly and severally liable for the debts of the joint venture. The assets of the joint venture do not exceed its' debts.

There have been no legal claims lodged against the joint ventures. The joint ventures do not have any contingent liabilities in respect of a legal claim lodged against the joint venture.

22. Parent entity financial information

(A) SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2023 $	2022 $
Statement of financial position		
Current assets	**9,579,655**	4,181,629
Total assets	**22,309,522**	16,645,451
Current liabilities	**3,372,330**	4,364,229
Total liabilities	**3,520,390**	4,555,013
Shareholders' equity		
Issued capital	**36,857,417**	36,857,417
RESERVES		
Share-based payment reserve	**1,164,842**	989,514
Accumulated losses	**(25,756,494)**	(26,627,963)
	12,265,765	11,218,970
PROFIT FOR THE YEAR	**6,523,367**	871,110
TOTAL COMPREHENSIVE PROFIT	**6,523,367**	871,110

(B) CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2023 (30 June 2022: nil). The parent entity did not provide financial guarantees during the year (30 June 2022: nil).

SIGNIFICANT ACCOUNTING POLICY

The financial information for the parent entity, Atlas Pearls, has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Atlas Pearls and reviewed at each reporting period for impairment indicators.

Share-based payments

The grant by the Company of ordinary shares to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

23. Share-based payments and options

23.1 EMPLOYEE SHARE PLAN

At the Extraordinary General Meeting on 29 April 2022 it was resolved by the shareholders to approve the Atlas Pearls Ltd Employee Share and Incentive Plan (Plan) and the issues of options to former Executive Chairman, Geoff Newman. The Board adopted the Plan under which eligible participants may be granted options to acquire shares in the Company. The Directors consider that the Plan is an appropriate method to:

(a) Reward Directors, Executives, and employees for their past performance
(b) Provide long-term incentives for participation in the Company's future growth
(c) Motivate Directors, Executives, employees, and generate loyalty; and
(d) Assist to retain the services of valued Directors, Executives, and employees

The Plan will be used as part of the remuneration planning for Directors, Executives and employees. Under the Plan, participants are granted options which can only vest if specific performance hurdles are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or receive any guaranteed benefits.

The Corporate Governance Council Guidelines recommend that remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's circumstance and goals. The Board considers that the Plan will assist the Company in structuring the remuneration packages of its Executives in accordance with the guidelines.

An option which has not vested will immediately lapse upon the first to occur of:

I. The expiry of the option period;
II. If an eligible person's employment or engagement with the Company ceases because of an uncontrollable event, six months (or such other period as the Board will in its absolute discretion determine) from the date on which the eligible person ceased that employment or engagement
III. If an eligible Person's employment or engagement with the Company ceases because of a controllable event, the last day of any period specified in clause 25(b), subject to clause 25(a).

23.2 OPTIONS ON ISSUE

The Group has the following equity compensation arrangements to renumerate Directors, Executives and employees of the Group;

I. 16,205,663 Options granted to employees ("ESOP")

	ESOP		
	Tranche 1	**Tranche 2**	**Tranche 3**
Grant date	27 May 2022	27 May 2022	27 May 2022
Vesting date	30 June 2022	30 June 2023	30 June 2024
Expiry date	30 September 2024	30 September 2024	30 September 2024
Options issued	2,796,311	4,194,474	9,214,878
Exercise price	$0.065	$0.070	$0.075
Remaining at 30 June 2023	2,718,077	4,077,123	8,460,476

II. 2,552,392 Options granted to Atlas Pearls former Executive Chairman, Geoff Newman ("EC")

	EC		
	Tranche 1	**Tranche 2**	**Tranche 3**
Grant date	29 April 2022	29 April 2022	29 April 2022
Vesting date	30 June 2022	30 June 2023	30 June 2024
Expiry date	30 September 2024	30 September 2024	30 September 2024
Options issued	510,478	765,718	1,276,196
Exercise price	$0.065	$0.070	$0.075
Remaining at 30 June 2023	510,478	765,718	1,276,196

MEASUREMENT OF FAIR VALUE

The fair value at grant date is independently determined using a Hoadley Trading and Investment valuation model, which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

	ESOP			EC		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	$0.0176	$0.0180	$0.0184	$0.0208	$0.0217	$0.0222
Share price at grant date	$0.042	$0.042	$0.042	$0.047	$0.047	$0.047
Exercise price	$0.065	$0.070	$0.075	$0.065	$0.070	$0.075
Volume weighted average	125%	133.3%	142.8%	125%	133.3%	142.8%
Expected future volatility	100%	100%	100%	100%	100%	100%
Risk free rate	2.53%	2.53%	2.53%	2.45%	2.45%	2.45%
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil

SHARES REMAINING AT YEAR END

The following options remain outstanding at year end.

	ESOP	EC
Balance at 30 June 2022	16,205,663	2,552,392
Granted during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Forfeited during the period	(949,987)	-
BALANCE AT 30 JUNE 2023	**15,255,676**	**2,552,392**

The following share-based payment expenses were recognised to profit and loss.

	2023	2022
ESOP Options	148,084	15,246
EC Options	27,244	63,185
TOTAL SHARED-BASED PAYMENT EXPENSE	**175,328**	**78,431**

The share-based payment expenses arising from the salary sacrifice share plan is nil, as the plan does not give additional benefit to the employees, as shares are issued in lieu of cash salary and cash bonus. The value of the shares originally issued to the trust is at the value sacrificed by the employee under the plan.

SIGNIFICANT ACCOUNTING POLICY

The fair value of shares granted under the Employee Share and Incentive Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date that the employee enters into the plan and is recognised over the period during which the employee becomes unconditionally entitled to the shares.

24. Remuneration of Auditors

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices, and non-related audit firms:

	30 June 2023 $	30 June 2022 $
BDO Australian firm		
Audit and review of financial reports	**119,710**	96,370
ESG consulting services	**16,995**	-
BDO Indonesian firm		
Audit and review of financial reports	**49,377**	52,562
TOTAL REMUNERATION FOR AUDIT SERVICES	**169,087**	148,932
TOTAL REMUNERATION FOR OTHER SERVICES	**16,995**	-

25. Accounting policies

25.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current [AASB 101], and
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been adopted early by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

25.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls as at 30 June 2023, and the results of its subsidiaries for the period then ended. Atlas Pearls and its subsidiaries together are referred to in this financial statement as the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners.

25.3 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the subsidiaries within the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Atlas Pearls functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

All foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within other income or other expenses, unless they relate to financial instruments.

(C) GROUP COMPANIES

The results and financial position of all Group entities (none of which has the currency of a hyperinflation economy), that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings are repaid, a proportional share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

25.4 COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

25.5 IMPAIRMENT OF ASSETS

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

25.6 EMPLOYEE BENEFITS

SHORT-TERM OBLIGATION

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

WAGES AND SALARIES, ANNUAL LEAVE, SICK LEAVE, LONG SERVICE LEAVE AND SUPERANNUATION

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave, and sick leave, which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Liabilities due to be paid within 12 months of the reporting date are recognised in other payables. The liability for long service is recognised in the provision for employee benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

25.7 PROVISIONS

Provisions for legal claims, service warranties, and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

25.8 BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

25.9 FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are, as follows:

Debt instruments at amortised cost, for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'SPPI criterion'. This category includes the Group's trade and other receivables and long-term loan receivable.

IMPAIRMENT

The Group assesses, on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The loss allowance calculated for 30 June 2023 is $nil due to past history with customers who have never previously defaulted on amounts due.

For other debt financial assets, including long-term loan receivables, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

25.10 INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income, based on the applicable tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses, only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities have been bought to account after considering the level of tax losses carried forward and available to the Group against future taxable profits, and the probability within the future that taxable profits will be available against which the benefits of the deductible temporary difference can be claimed.

25.11 LEASES LIABILITIES

The Group leases offices in Subiaco, Western Australia and Sanur, Indonesia. As the leases are of real estate, the Group has elected not to separate the lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other that the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

25.12 RIGHT-OF-USE ASSETS

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less, and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred. Low-value assets comprise IT equipment and vehicles.

Leases relating to the farms in Indonesia have been recognised as right-of-use assets and are amortised over the life of the lease. There is no lease liability as the leases have all been prepaid on inception of the agreements.

25.13 TRADE RECEIVABLES

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the capture of the sales, settlement terms are either cash on delivery or 30 days from the date of invoice. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised costs using the effective interest method.

Directors' Declaration

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:

- i give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of the performance for the year ended on that date; and
- ii 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 International Financial Reporting Standards.

(c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A. 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) the remuneration disclosures included in the Directors' Report (as part of audited remuneration report) for the year ended 30 June 2023 comply with section 300A of the *Corporations Act 2001*.

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
Chairman - 30 August 2023

Additional ASX information

The following additional information is required by the Australian Securities Exchange. The information is current as at 14 August 2023.

(A) DISTRIBUTION SCHEDULE AND NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 14 AUGUST 2023

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Ordinary Fully Paid Shares	139	372	268	736	331	1,846
Unlisted options: 6.5 cents, exp 30/09/2024	-	-	-	11	14	25
Unlisted options: 7.0 cents, exp 30/09/2024	-	-	-	3	22	25
Unlisted options: 7.5 cents, exp 30/09/2024	-	-	-	-	29	29

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 14 August 2023 is 801.

(B) 20 LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 14 AUGUST 2023

The names of the twenty largest holders of fully paid ordinary shares (ASX: ATP) as at 14 August 2023 are:

Rank	Name	Shares	% of shares
1.	Boneyard Investments Pty Ltd	54,907,327	12.83
2.	CHEMCO Superannuation Fund Pty Ltd <CHEMCO Super Fund NO 2 A/C>	32,400,000	7.57
3.	Citicorp Nominees Pty Limited	30,281,853	7.2
4.	HSBC Custody Nominees (Australia) Limited	28,192,363	6.59
5.	Jingie Investments Pty Ltd	17,880,240	4.18
6.	ABERMAC Pty Ltd	17,833,333	4.17
7.	Morckstow Pty Ltd	8,000,000	1.87
8.	Westwood Properties Pty Ltd	8,000,000	1.87
9.	BNP Paribas Noms Pty Ltd <DRP>	7,953,027	1.77
10.	Mr Wesley Rtherford + Mrs Sian Rutherford <RUTHERFORD FAMILY S/F A/C>	6,300,000	1.47
11.	Mr Tingyao Xu	5,580,000	1.30
12.	Ten Talents (2020) Limited <Five Talents A/C>	5,120,000	1.20
13.	Chembank Pty Limited <CABAC Super Fund A/C>	5,000,000	1.17
14.	Mr Cameron Beavis <The Schindler S/F A/C>	4,500,000	1.05
15.	Mr Paul Michael Butcher	4,067,208	0.95
16.	Miss Kristie Birkbeck	3,818,536	0.89
17.	Queensridge Investments Pty Ltd <Gleeson Super Fund A/C>	3,549,072	0.83
18.	Mr Timothy James Martin	3,540,883	0.83
19.	Ms Jennifer Michelle Roughan	3,360,000	0.79
20.	Mr Pierre Fallourd	3,311,206	0.77
	Total	**253,775,048**	**59.31**

Stock Exchange Listing – Listing has been granted for 427,871,758 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

(C) SUBSTANTIAL SHAREHOLDERS IN ATLAS PEARLS LTD AND THE NUMBER OF EQUITY SECURITIES OVER WHICH THE SUBSTANTIAL SHAREHOLDER HAS A RELEVANT INTEREST AS DISCLOSED IN SUBSTANTIAL HOLDING NOTICES PROVIDED TO THE COMPANY ARE LISTED BELOW;

Name	Shares	% Voting Power	Date of Notice
Boneyard Investments Pty Ltd and Associates *	114,944,995	27.09%	4 May 2015

1. *Includes shares held by Boneyard Investments Pty Ltd, Chemco Superannuation Fund Pty Ltd, Jingie Investments Pty Ltd, T. Martin, T. and W. Martin, J. Martin and J and B Martin.*

Additional ASX information

(E) HOLDER DETAILS OF UNQUOTED SECURITIES

All unquoted securities were issued under an employee incentive scheme. Therefore, no disclosure is required in relation to people that hold more than 20% of a given class of unquoted securities as at 14 August 2023.

(F) RESTRICTED SECURITIES AS AT 14 AUGUST 2022

There were no restricted securities on issue as at 14 August 2023.

(G) VOTING RIGHTS

All fully paid ordinary shares carry one vote per ordinary share without restriction.

(H) ON-MARKET BUY-BACK

The Company is not currently performing an on-market buy-back.

(I) CORPORATE GOVERNANCE

The Board of Atlas Pearls Ltd is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at https://www.atlaspearls.com.au/pages/corporate-governance

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INDEPENDENT AUDITOR'S REPORT

To the members of Atlas Pearls Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Atlas Pearls Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Biological Assets

Key audit matter	*How the matter was addressed in our audit*
The Group's biological assets, as disclosed in Note 4 to the financial report, was a key audit matter as the calculation of the fair value of the oysters requires significant estimates and judgements by management. The Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment. The Group have valued the biological assets at fair value less costs to sell. The valuation requires management's judgement in relation to estimating the future selling prices, exchange rates, pearl size, portion of marketable grade, mortality, costs to complete and discount rate.	Our audit procedures included, but were not limited to: • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standards; • In conjunction with our valuation specialist, reviewing the accuracy and integrity of management's fair value model and the discount rate used by management; • Attending the physical stocktake procedures and verifying a sample of oysters on hand at reporting date and agreeing this to the fair value model; • Assessing the key inputs contained within the fair value model, including the future selling prices, incorporating any potential impact of recent economic conditions, exchange rates, pearl size, portion of marketable grade, mortality and costs to complete; and • Evaluating the adequacy of the related disclosure in Note 4 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Atlas Pearls Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth

30 August 2023

ATLAS
PEARLS

AUSTRALIA

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FARM SITES

EAST JAVA, Banyu Biru

NORTH BALI, Penyabangan

FLORES, Labuan Bajo, Pungu Island

EAST NUSA TENGGARA, West Lembata

EAST NUSA TENGGARA, Lembata Bay

EAST NUSA TENGGARA, Alor Bay

RAJA AMPAT, Alyui Bay