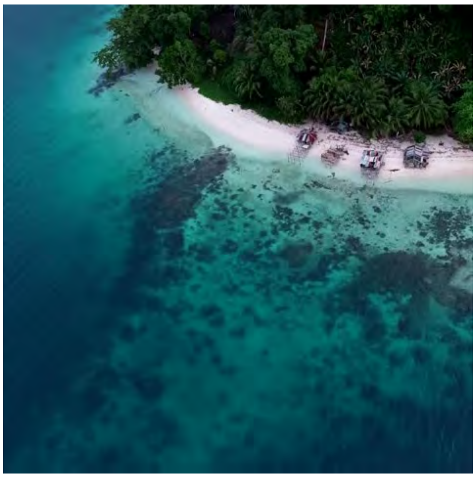
ATLAS PEARLS LTD - ASX ATP -ANNUAL REPORT · 2019

Like each pearl, every woman is unique!

FIND THE ONE...
AS UNIQUE AS HER.

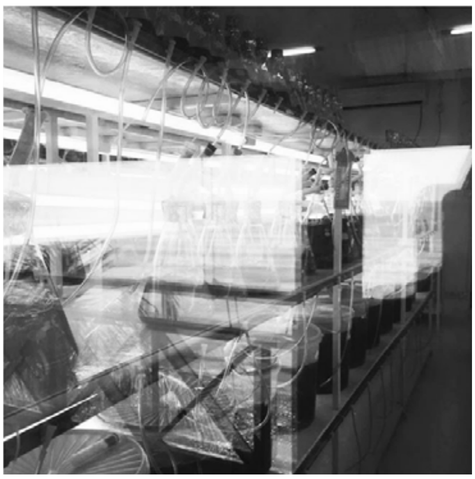










MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

2018/19 was another demanding year for Atlas with the realised increases in pearl numbers not translating into targeted profit outcomes due to ongoing issues with pearl size.

Over the past four years Atlas Pearls has implemented operational changes to increase oyster survival, increase harvest quantities and decrease unit production costs. It is pleasing to report that these operational initiatives have been successfully implemented across the Company's operations. Although the year ended 30 June 2019 yielded promising harvest quantities, the disappointing size of pearls continues to challenge revenue results which, in turn, has unfavourably impacted the Company's year end profitability.

During the year, Atlas successfully established an economical cost base and diverse farm locations to secure the Company's future through varying environmental and market fluctuations. The Company's trajectory is now encouraging, having achieved targets on both production and cost base levels with a clear future focus on pearl quality, colour and size.

Important positives have materialised during the year including:

- An understanding of the process drifts that have caused the decreasing pearl value and immediate rectification of those processes,
- Confirmation of the Company's ability to harvest increased quantities of pearls whilst decreasing unit production costs, and
- Continuing strong market demand for high quality South Sea pearls of the right quality and size.

The shortfall in expected revenue gave rise to some challenges on the capital structure front. To manage this, the Company delayed a $750,000 scheduled repayment to its major shareholder. The loan was approved at the 2017 AGM and was repayable in instalments through to June 2020 which has now been extended to 30 October 2020. The balance of the shareholder loan at 30 June 2019 is $2.5M. The Company retains an overdraft facility of $1.5M and collaboration with trade partners for short term trade loans.

The Company is now looking at strategic options to ensure a path to more profitable operations, which will flow from increased pearl sizing.

Atlas Pearls' 50% joint venture Essential Oils of Tasmania ("EOT") made progress in expanding the range of services and products offered domestically and internationally. Tasmanian products are continuing to receive international interest which is a strong reflection of the high quality goods produced from the region. The Board continues to explore several prospective paths forward.

Although Atlas Pearls has received an unqualified audit report, I would like to draw shareholders attention to the Going Concern section of the Annual Report on page 36 and the emphasis of matter paragraph in the Auditors report on page 71.

The Board is confident that the successful implementation of operational changes will provide the Company with a solid foundation to springboard into future profitability. Importantly, we would like to thank all shareholders for their support as we continue to build a turnaround.

Geoff Newman
Chairman

CELEBRATING A 25 YEAR LOVE STORY

Passionate people from all corners of the world partnered in the early 1990's to learn the ropes of modern hatchery-based pearling with the same objective: producing the best South Sea Pearls. Aligning a labour-intensive 4-year production cycle is no easy task. Cultural intelligence and sustainability have been at the forefront of the growth of Atlas Pearls since its inception.

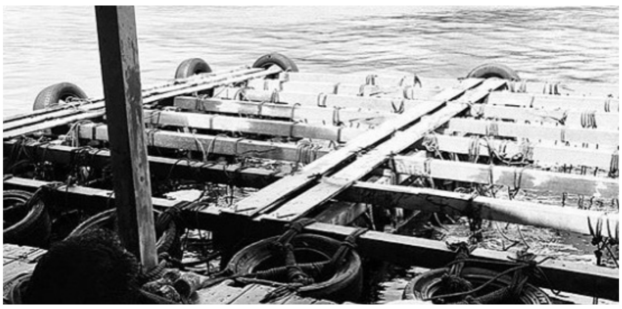
1990

THE FIRST *PINCTADA MAXIMA* HATCHERY

Triggering spawning through temperature shock was proven relatively easy.

It is not clear which country or company can claim the set-up of the first commercially viable hatchery.

Providing baby oysters with the right plankton cocktail at the right time and interval on the other hand will remain a well guarded secret within the industry for many years.



1993

FIRST ATLAS PILOT VENTURE IN KUPANG

In 1993 Atlas opened its pilot pearling venture in Kupang - East Nusa Tenggara. This coincided with Atlas listing on the Australian Stock Exchange with the visionary objective of becoming an eco-pearling venture. This provided the opportunity to the public to own a piece of a pioneering industry located throughout the pristine and wild waters of Indonesia.

The founding principles of the Company are anchored on sustainability, and whilst this lengthens the business cycle from two to four years, hatchery technology reduced greatly the need for wild oysters and the industry became non-extractive.

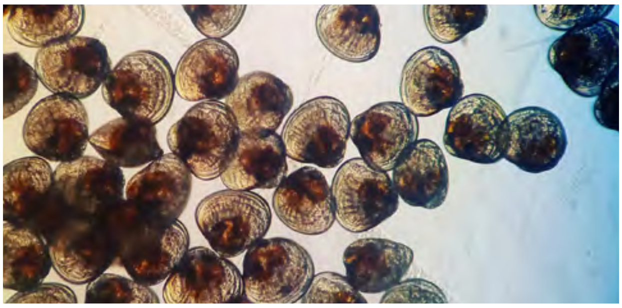
1998

ATLAS OPENS ALYUI PEARL FARM - RAJA AMPAT

The Indonesian archipelago of Raja Ampat lies in the Coral Triangle, and covers an area from the Philippines to Timor to Papua New Guinea.

Many marine species that thrive here cannot be found anywhere else in the world.

Atlas' Alyui farm launched with just 15 staff sharing tents in the jungle but quickly became a secluded and self-sustaining hatchery-to-harvest pearling hub.



2000

ATLAS' FIRST HUB IN BALI

In 2000 Atlas expanded operations to Bali with it's first hub for breeding and seeding in Penyabagan, North Bali and commenced genetically based selective oyster breeding.

Specialised sites enabled the allocation of oysters at specific ages to farm sites offering specific food sources as well as access to qualified personnel at various production stages.

Each oyster is handled more than 600 times throughout it's productive life before producing a pearl at the end of the four years.

The challenge of selective breeding has been, and remains, to identify the best parent oysters to provide outstanding qualities that will translate into the most desired pearl virtues (shape, size, shade, surface and shine).

ATLAS PEARL OPERATIONS

1. BANYU BIRU
2. NORTH BALI
3. PUNGU ISLAND
4. LEMBATA
5. ALOR
6. ALYUI BAY

2005

ATLAS HARVESTS 100,000 PEARLS

By 2005 Atlas' production doubled reaching 100,000 pearls. The North Bali site became fully operational, and the Company to validated it's specialised technical hub concept. Atlas implemented various reforms geared towards productivity gains and consistency from hatchery until seeding focusing on comparative and competitive gains.

In 2008-2009 the pearling industry was strongly disrupted by the Global Financial Crisis (GFC). Pearl prices devalue at trade level triggering an unprecedented consolidation move at production level. Only a handful of passionate and innovative pearling operators survived.

2011

ATLAS EXPANDS, HARVESTS 300,000 PEARLS

Listening and respecting natures' cycles remains the main driver for successful farmers, however, modern pearling requires mastery at every corner of the process from hatchery-to-harvest while operating at an economic scale.

By 2011, Atlas opened a second hub in Lembata – Solor, two farms in Pungu - Flores and Alor and also a dedicated selective breeding and research and development centre in Garogak - North Bali.

Atlas further secured its competitive advantage and increased geographical spread to diversify against environmental threats.

Pungu Island qualified as another 'frontier' in line with Alyui due to it's location in Labuan Bajo, right at the gate of the world famous Komodo Dragon National Park.

2018

ATLAS OPENS BANYUBIRU PEARL FARM

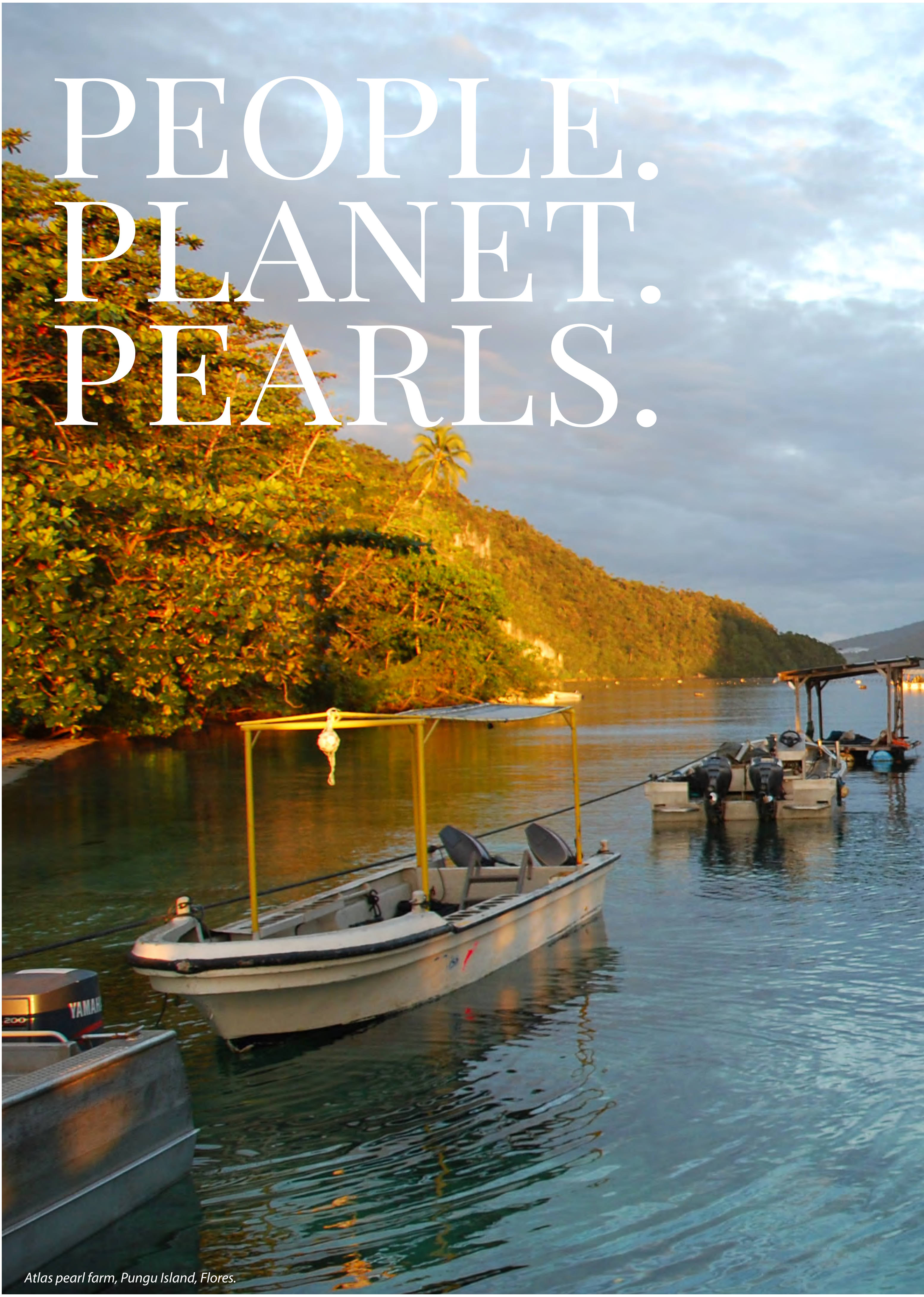
The pearl industry is now mature, nurturing competitive and comparative advantages are a must within the industry.

Atlas opens a farm in Banyu Biru - East Java, the Company's first site with direct current flow from the Indian Ocean.

Global warming is no longer an epiphenomenon but a proven fact triggering unusual and extreme weather occurrences such as super typhoons or freak tides. Our climate and seasons are primarily driven by surface and deep ocean currents which are now more often disrupted by events called El Nino and La Nina. This results in significant changes on plankton supply both in quantity and quality, calling for sites with alternatives food supply.

Atlas aims to harvest 500,000 pearls in 2019 with an on going focus on quality.

PEOPLE. PLANET. PEARLS.



Atlas pearl farm, Pungu Island, Flores.

MESSAGE FROM THE MANAGING DIRECTOR

It has been 25 years since Atlas opened its pilot farm in Kupang, Indonesia. 28 years since the perfection of hatchery technology applied to Pinctada Maxima oysters allowed the industry to become non-extractive and Atlas to almost double in size every five years.

Next financial year will be the last year of Atlas' five year growth plan, initiated in 15/16. Production increased 61% from 293,257 pearls in 14/15 and 15% compared with last year. Almost 500,000 pearls were harvested between July 2018 and June 2019. Revenue grew 14% from $14.2M in 17/18 to $16.2M. Unfortunately, nacre growth and resulting average pearl size remained disappointing this year, calling for further structural and operational adjustments. Operations delivered a loss before tax of $1.2M against a loss of $2.0M last year.

Team driven efficiencies and productivity gains along the value chain allowed the Company to contain operating expenses at the same level as 17/18 in spite of a larger biomass and increased number of pearls to harvest, grade and bring to market.

Pearl trading remained stable for white South Sea pearls whilst prices for coloured South Sea pearls have been volatile as a result of the increasing influence of the Chinese market and global trading uncertainties.

Trade loans from long standing clients have proven mutually beneficial this year to secure client's pearl supply and allow Atlas to make necessary adjustments to harvest and sales schedules. Atlas held four private auctions in Kobe, Japan and three complementary private sales events in Hong Kong, both delivered satisfactory prices.

All operational efforts have been focused on the base objective of seeding the best oysters, within the ideal windows, utilising the best techniques. Quality reforms have been implemented over the past few years to accompany and support the Company's growth plan. Current harvest profiles are necessitating for further knowledge and operation consolidations to enable the Company to adjust to ever changing environmental and market conditions.

Key achievements for the year are:

- Confirmed oyster survival rate now allows a more selective pre-operation process,
- Sustained post-operation retention allows more efficient use of available resources,
- Collaboration with trade partners and stable prices reflects the sustained demand for Atlas Pearls' products, and
- The Company's newly opened pearl farm, Banyu Biru, East Java, shows promising shell nacre growth.

Going forward, Atlas is committed to increasing collaboration with industry partners to grow the pearl market, to increase knowledge of the global environments and to become more relevant to clients whilst ensuring the safety and continuous development of our people.

Pierre Fallourd
Managing Director

CORPORATE DIRECTORY

CHAIRMAN

Geoff NEWMAN
B.Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D.

DIRECTORS

Timothy MARTIN
B.A, M.B.A, G.A.I.C.D.

Pierre FALLOURD
M.B.A, G.A.I.C.D.

Cadell BUSS
M.B.A, M.P.M, G.A.I.C.D.

COMPANY SECRETARY

Susan HUNTER
B.Com, ACA, F Fin, G.A.I.C.D. AGIA

REGISTERED OFFICE

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BDO Audit (WA) Pty Ltd
38 Station Street
Perth, Western Australia 6008

TAX ADVISORS

RSM Bird Cameron
8 St Georges Terrace
Perth, Western Australia 6008

BANKERS

National Australia Bank
100 St Georges Terrace
Perth, Western Australia 6000

SHARE REGISTERY

Computershare (WA) Pty Ltd
Level 11, 172 St George's Terrace
Perth, Western Australia 6000

HOME EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza, 2 The Esplanade
Perth, Western Australia 6000

ASX TRADING CODE

ATP

SUMMARY OF FISCAL INDICATORS

	30 June 19 $'000	30 June 18 $'000
Revenue from contracts with customers	16,241	14,211
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	603	(599)
EBITDA margin	3.71%	(4.22%)
Depreciation and amortisation	(297)	(256)
Foreign exchange gains/(losses)	(449)	(149)
Revaluation and write-off of agriculture assets (oysters and pearls) gains/(losses)	(590)	(612)
Derivative instruments gains/(losses)	14	(150)
Earnings/(loss) before interest and tax (EBIT)	(854)	(1,701)
EBIT margin	(5.26%)	(11.97%)
Interest net income/(costs)	(321)	(283)
Tax benefit/(expense)	(2,408)	(50)
Net profit/(loss) after tax (NPAT)	(3,582)	(2,034)
Basic earnings/(loss) per share (cents)	(0.84)	(0.48)
Net tangible assets (NTA)	21,567	23,899
Assets	31,231	31,710
Debt (current & non-current)	3,620	4,060
Shareholder funds	21,910	23,899
Debt/shareholder funds (%)	16.52%	16.99%
Number of shares on issue (million)	427.9	427.9

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Atlas Pearls Ltd and the entities it controlled at the end of, or during, the period ended 30 June 2019. Referred to hereafter as, the Company, Atlas Pearls or the Group.

1. Directors

The following persons were Directors of Atlas Pearls during all or part of the financial period and up to the date of this report except where stated:

GEOFF NEWMAN, B. Ec. (Hons), M.B.A, F.C.P.A ,F.A.I.C.D.
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mr. Newman has over 28 years' experience in finance, marketing and general management roles in organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunnings Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005 he 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 he retired from the Coogee Group at the end of June 2006.

Appointed Chairman on 16 February 2015
Director since 15 October 2010
Directorships of other listed companies held in the last three years: Nil

TIMOTHY MARTIN, B.A., M.B.A, G.A.I.C.D.
NON-EXECUTIVE DIRECTOR

Mr. Martin has been an Executive Manager at Coogee Chemicals Pty Ltd since 2005, held the position of Managing Director from 2012 and was appointed Executive Chairman in July 2015.

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

Appointed Director on 4 February 2013
Directorships of other listed companies held in the last three years: Nil

PIERRE FALLOURD, M.B.A, G.A.I.C.D.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Fallourd has over 21 years' experience in pearling and is highly recognised in the pearl and jewellery industry for his role in developing and marketing golden pearls globally. He is a specialist in managing the pearl value chain and maximising the use and value of each pearl harvested. Pierre is fundamental to Atlas Pearls cradle to cradle strategy of extracting and maximising all aspects of the pearl and its by-products. Mr. Fallourd joined the Company in March 2013 as Vice President of Pearling and has been Chief Executive Officer of Atlas Pearls since November 2014.

Appointed Managing Director 4 January 2016
Directorships of other listed companies held in the last three years: Nil

CADELL BUSS, M.B.A, M.P.M, G.A.I.C.D.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Buss has extensive experience in marketing, communications and advertising spanning 20 years in the industries of Fast Moving Consumer Goods, Sports Administration and Local Government. His career commenced in sales, progressing into senior leadership engagements at leading commercial enterprises, including Fosters Group Limited, Guinness International and DJ Carmichael Pty Ltd.

Appointed Director on 1 February 2018
Directorships of other listed companies held in the last three years: Nil

2. *Company Secretary*

The Company Secretary for the financial year was Ms. Susan Hunter.

SUSAN HUNTER, BCom, ACA, F Fin, G.A.I.C.D, AGIA

Ms. Hunter has 22 years experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate 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. She holds a Bachelor of Commerce, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Governance Institute of Australia.

Appointed 19 December 2012

3. *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
G. Newman	01 July 18 - 30 June 19	6	6
T. Martin	01 July 18 - 30 June 19	6	6
P. Fallourd	01 July 18 - 30 June 19	6	6
C. Buss	01 July 18 - 30 June 19	6	6

4. *Principal Activities and Review of Operations*

4.1. PRINCIPAL ACTIVITIES

Atlas Pearls is a Company that produces South Sea Pearls, with farming operations throughout Indonesia and retail stores in Perth and Bali.

4.2. REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

4.2.1. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

4.2.2. SHAREHOLDER RETURNS

	30 JUNE 2019 $'000	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Net profit/(loss) after tax	(3,582)	(2,034)	901
Basic EPS (cents)	(0.84)	(0.48)	0.21
Dividends paid	Nil	Nil	Nil
Dividends (per share) (cents)	Nil	Nil	Nil

The adjustments from NPAT to arrive at reported Normalised EBITDA for these periods are shown below:

	30 JUNE 2019 $'000	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Net profit/(loss) after tax	(3,582)	(2,034)	901
Tax (benefit)/expense	2,408	50	(96)
Interest net costs	321	283	409
Depreciation & amortisation	297	256	470
Foreign exchange (gain)/loss	449	149	(598)
Agriculture standard revaluation (gain)/loss	590	612	206
Other non-operating (income)/expense	134	-	286
Derivative instrument (gain)/loss	(14)	150	(410)
Normalised EBITDA	603	(535)	1,167

4.2.3. FINANCIAL POSITION

	30 JUNE 2019 $'000	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Total assets	31,231	31,710	34,178
Debt (current & non-current)	(3,620)	(4,060)	(3,529)
Other liabilities	(5,701)	(3,750)	(4,207)
Shareholder funds / net assets	21,910	23,899	26,443
Debt / shareholder funds	17%	17%	13%
Number of shares on issue (million)	427.9	427.9	427.9
Net tangible assets per share (cents)	5.1	5.6	6.2
Share price at reporting date (cents)	0.8	2.4	2.6

There has been a decrease in the net assets of the Group of $2.0M in the year ended 30 June 2019 (30 June 2018: $2.5M decrease).

4.2.4. OPERATING RESULTS

The operating revenue for the year ended 30 June 2019 was $16.2M, an increase of $2.0M (30 June 2018: $14.2M). The increase in harvest quantities provided the Company with additional revenue this year, however the potential of this revenue was challenged as a result of disappointing pearl sizes.

Administration, finance and marketing expense costs of $6.2M were consistent with prior year (30 June 2018: $6.3M) as a result of management's ability to maintain costs achieved during 30 June 2018 in response to the adverse environmental conditions which impacted prior year harvest results.

The Company continues to collaborate with clients and has resecured a short term trade loan to manage the transition between seeding and harvest. Refer to note 17.4 for further details on current financing arrangements.

4.2.5. REVIEW OF OPERATIONS

4.2.5.1. PEARLING

Operational process improvements implemented in 17/18 have been validated, with confirmed oyster survival rate allowing for a more selective pre-operation process.

After four years of dedicated growth, the Company has entered a consolidation phase to align processes and optimise current infrastructure. The Company is now focusing on density management to provide oysters with improved access to nutrients. This, combined with better oyster survival, improves Atlas Pearls competitive advantage and partially offsets potential future environmental factors which may affect oyster and pearl cultivation.

The Company's newly opened pearl farm, Banyu Biru, East Java, shows promising shell nacre growth validating reforms implemented. The new site is less than three hours from the North Bali farm and is a cost efficient way of diversifying biomass.

Whilst implemented improvements increased oyster survival, nacre growth issues on oysters already seeded has resulted in another demanding year for Atlas and realised increases in pearl numbers did not translate into targeted profit.

4.2.5.2. PEARLING VALUE ADDED

The Company's revenue stream is split into the following categories;

- Trade sales, achieved through a mix of auctions and private sales,
- Australian wholesale sales, and
- Retail sales.

Trade sales represent 90% of the Company's revenue and will remain a key focus for 19/20 with the mix of sales events adjusted to allow the Company to engage in more face-to-face negotiations to ensure maximum profit margins and increased customer service.

Demand has been stable for white South Sea pearls with Atlas Pearls harvests achieving over 97% white and silver pearls in 18/19.

The Australian retail market continues to show signs of decline and combined wholesale and retail revenues have decreased by 13% in comparison to the prior year. As a result of the softening markets, an increased effort is being made to improve the Company's online presence.

Efforts towards improving the desirability of the Indonesian South Sea pearl will continue at all levels of the value chain.

4.2.5.3. NATURAL EXTRACTS

Essential Oils of Tasmania Pty (EOT), a 50% joint venture of Atlas Pearls, delivered an improved profit of $328k this financial year compared to a profit of $78k last year.

EOT has experienced improved crop yields on existing crops, as well as of new extracts from native crop such as Kunzea. Over the past year the joint venture has further integrated downstream processes.

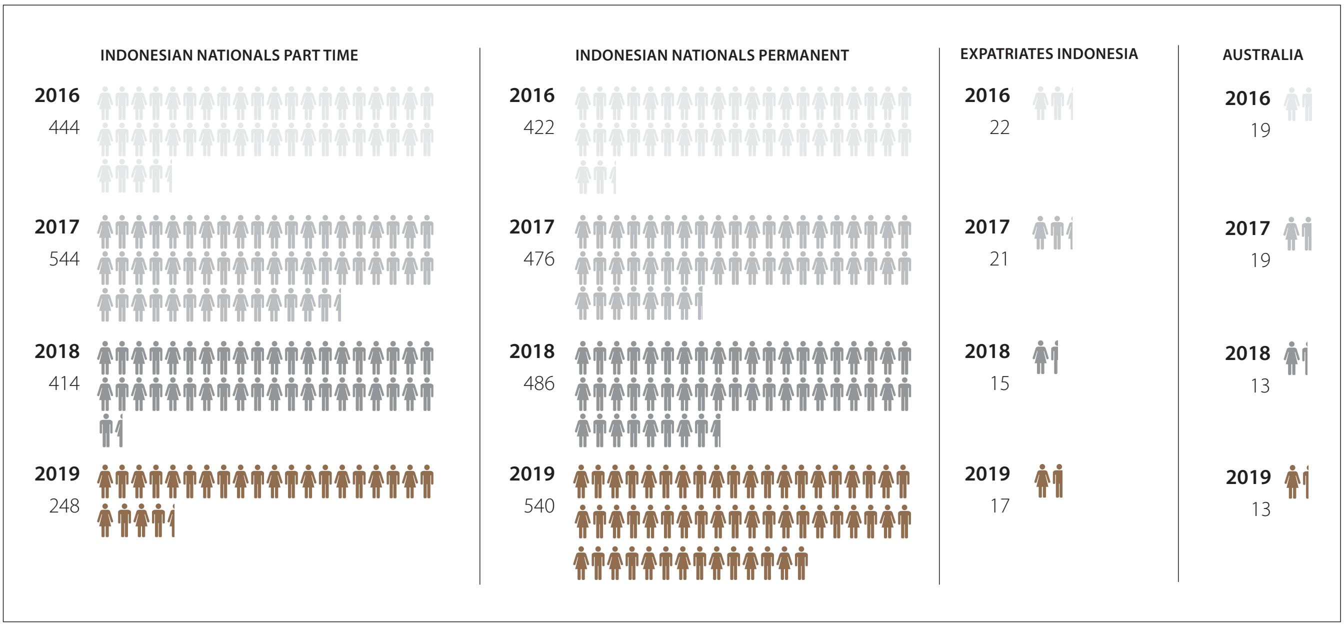
Process and marketing efforts have strongly contributed to continuing international interest reflecting the high quality goods produced from the region.

4.2.6 AUDIT OPINION

The financial report has been audited independently and received an unmodified opinion. Refer to page 29 for the Independent Auditors Report and Opinion.

4.2.7 PERSONNEL

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



5. Dividends

No dividends were declared and paid by the Company during the period ended 30 June 2019 (30 June 2018: nil).

6. Events Since the end of the Financial Year

On 3 July 2019, Atlas Pearls received ¥200M (AUD $2.6M) in short term financing from a commercial partner. The loan is repayable by 30 June 2020. There have been no other material events since the end of the financial year.

7. Likely Developments and Expected Results of Operations

The Company's ability to harvest increased quantities of pearls whilst decreasing unit production costs has been validated during the financial year with the focus now on understanding the internal process drifts that have caused the decreased pearl value.

Distribution channels remain strong, with increased focus on customer relationships. Global demand remains strong for high quality South Sea pearls.

Results from process improvements are expected to come to fruition in the second half of the upcoming financial year. The financial outcome of this anticipated increase in quality will be harvest and market dependent.

Continued efforts are being made in the Tasmanian operations with the focus on expanding the range of services and products offered domestically and internationally.

8. Directors' Interests

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report, are detailed in Section 13.5.5 of the Remuneration Report.

9. Options

During the year ended 30 June 2015 5,500,000 unlisted options were issued to certain employees, pursuant to the Atlas Pearls Employee Option Plan. These options were exercisable at $0.059 on or before 31 December 2018 and were subject to the following vesting conditions;

- achieving a minimum A$2.75M average normalised EBITDA for the 3 years ended 30 June 2018,
- the employee remains directly engaged as an employee until 30 June 2018

These options were forfeited due to performance criteria not being met by 31 December 2018.

During the year ended 30 June 2019 21,269,928 options were issued to certain employees, pursuant to the Atlas Pearls Employee Option Plan. These options are exercisable at $0.027 on or before 30 June 2021 and are subject to the following vesting conditions;

- vesting dates - tranche one will vest immediately, tranche two will vest on 01 July 2019 and tranche three will vest on 01 July 2020,
- the employee remains engaged as an employee at the date of the prescribed vesting dates listed above

Refer to note 25.2 for further information.

10. Indemnification and Insurance of Directors and Officers

10.1. INDEMNIFICATION

The Company has agreed to indemnify the following current Directors of the Company; Mr G Newman, Mr T Martin, Mr C Buss and Mr P Fallourd and all former Directors against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors 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.

10.2. INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums of $43,722 (30 June 2018: $34,845) in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

11. 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 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:

AUDIT SERVICES	30 JUNE 2019 $	30 JUNE 2018 $
BDO AUSTRALIAN FIRM		
Audit and review of financial reports	**101,148**	93,279
BDO INDONESIAN FIRM		
Audit and review of financial reports	**46,786**	30,781
Total remuneration for audit services	**147,934**	124,060
Other Services	**2,328**	5,100
Total remuneration for other services	**2,328**	5,100

12. 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 period.

13. Renumeration Report (Audited)

The Directors are pleased to present your Company's 2019 remuneration report which sets out remuneration information for Atlas Pearls Non-Executive Directors, Executive 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
Non-Executive and Executive Directors	
G. Newman	Independent Non-Executive Chairman
T. Martin	Non-Executive Director
P. Fallourd	Managing Director
C. Buss	Independent Non-Executive Director
Other Key Management Personnel	
M. Longhurst	Chief Operations Officer PT Cendana Indopearl
D. Kubicki	Chief Financial Officer

Changes since the end of the reporting period

There have been no changes to the remuneration of Key Management Personnel after 30 June 2019.

13.1. REMUNERATION GOVERNANCE

13.1.1. ROLE OF THE BOARD IN REMUNERATION GOVERNANCE

Remuneration governance is the responsibility of the full the Board as per a resolution passed on 27 February 2017. Primary responsibilities include recommendations including;

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

The objective is to ensure that Remuneration policies and structures are fair and competitive and aligned with the long term interest of the Company.

Assessing performance and claw-back of remuneration

The Board is responsible for assessing performance against KPIs and determining the short-term incentives ("STI") and long-term incentives ("LTI") to be paid. To assist in this assessment, the Board receives detailed reports on performance from management which are based on independently verifiably data such as financial measures, market share and data from independently run surveys.

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.

13.1.2. 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 $350,000 which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Annual General Meeting on 30 May 2007. In the period ending 30 June 2019, the total Non-Executive Directors' fees including retirement benefit contributions were $178,114 (30 June 2018: $148,947).

The following fees have applied:

- Base fees for Non-Executive Directors is $50,000 per annum.
- The Independent Non-Executive Chairman's fee is $78,000 per annum.

13.1.3. 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, including superannuation
- Short-term performance incentives (refer section 13.3 for individual detail), and
- Long-term incentives through participation in the Atlas South Sea Pearl Limited Employee Share Plan and Employee Option 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.

Executive salaries are reviewed annually and are adjusted to take into consideration the individuals' responsibilities and skills compared to others within the Company and the industry. There are no guaranteed base pay increases in any of the Executives' contracts.

There were no short or medium-term cash incentives provided to any Executives of the Company during the last financial year except where noted in section 13.2 of this report. Short or medium-term cash incentives are incorporated into some Executives' salary packages at the time of this report. The framework provides a mix of fixed and variable pay with short and medium-term incentives. As Executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

An Employee Share Plan (ESP) provides some Senior Executives with incentive over and above their base salary (refer section 13.2). The allocation of shares under the Employee Share Plan (ESP) is not subject to performance conditions of the Company. The reasons for establishing the ESP were:

- To align the interests of Senior Executives with shareholders. The ESP 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 an important factor in the long-term success of the Company.

Use of remuneration consultants

During the financial year ended 30 June 2019 the Company did not engage any remuneration consultants.

Voting and comments made at the Company's 2018 Annual General Meeting

Atlas Pearls received 91% of "yes" votes on adoption of the remuneration report for the 2018 financial year. On the resolution to re-elect Chairman Mr Geoff Newman, Atlas Pearls received 94% of "yes" votes. On the resolution to elect Director Mr Cadell Buss, Atlas Pearls received 98% of "yes" votes. On the resolution to approve the approval of the Employee Share Option Plan, Atlas Pearls received 91% of "yes" votes. On the resolution to approve the issue of incentive options to Mr Pierre Fallourd, Atlas Pearls received 93% of "yes" votes. 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. Some Key Management Personnel are entitled to bonuses based on a percentage of EBITDA.

13.2. DETAILS OF REMUNERATION

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

		SHORT TERM BENEFITS				TOTAL CASH SALARY, FEES & SHORT TERM BENEFITS	POST EMPLOY-MENT BENEFITS	LONG TERM BENEFITS	SHARE BASED COMPENSATION		
		CASH SALARY & FEES	SALARY SACRIFICE FOR SHARES	SHORT TERM INCENTIVE CASH BONUS	NON CASH MONETARY BENEFITS		SUPERAN-NUATION BENEFIT	LONG SERVICE LEAVE	BONUS SHARES	OPTIONS[4]	TOTAL
NAME	YEAR	$	$	$	$	$	$	$	$	$	$
DIRECTORS (NON-EXECUTIVE)											
G. Newman	2019	78,000	-	-	-	78,000	-	-	-	-	78,000
	2018	78,000	-	-	-	78,000	-	-	-	-	78,000
T. Martin	2019	50,114	-	-	-	50,114	-	-	-	-	50,114
	2018	50,114	-	-	-	50,114	-	-	-	-	50,114
C. Buss [1]	2019	50,000	-	-	-	50,000	-	-	-	-	50,000
	2018	20,833	-	-	-	20,833	-	-	-	-	20,833
DIRECTORS (EXECUTIVE)											
P. Fallourd	2019	240,000	-	-	-	240,000	22,800	-	-	36,643	299,443
	2018	240,000	-	-	-	240,000	22,800	-	-	10,925	273,725
OTHER KEY MANAGEMENT PERSONNEL											
M. Longhurst [2]	2019	200,000	-	-	22,500	222,500	-	-	-	30,536	253,036
	2018	200,000	-	-	22,500	222,500	-	-	-	5,463	227,963
D. Kubicki [3]	2019	173,516	-	-	-	173,516	16,484	-	-	24,073	214,073
	2018	43,679	-	-	-	43,679	4,121	-	-	-	47,800
T. Harris [3]	2019	-	-	-	-	-	-	-	-	-	-
	2018	182,589	-	-	-	182,589	17,346	-	-	-	199,935
TOTAL 2019	**2019**	**791,630**	**-**	**-**	**22,500**	**814,130**	**39,284**	**-**	**-**	**91,252**	**944,666**
TOTAL 2018	**2018**	**815,215**	**-**	**-**	**22,500**	**837,714**	**44,267**	**-**	**-**	**16,388**	**898,369**

Notes:
1. Mr C Buss was appointed 1 February 2018 as Non-Executive Director.
2. Non-Monetary benefits of other Key Management Personnel includes overseas living allowances as per individual employment contracts.
3. Mr T Harris resigned from his position on 29 January 2018. Ms D Kubicki was appointed Chief Financial Officer on 26 March 2018.
4. Share based remuneration related to options being recognised over the respective vesting period.

13.2.1. DETAILS OF REMUNERATION – PERFORMANCE ANALYSIS

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

NAME	30 JUNE 2019 % PERFORMANCE	30 JUNE 2018 % PERFORMANCE
P. Fallourd	**12.24%**	3.99%
M. Longhurst	**12.07%**	2.40%
D. Kubicki	**11.25%**	0.00%

13.2.2. RELATIONSHIP BETWEEN REMUNERATION AND ATLAS PERFORMANCE

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

	30 JUNE 2019	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015
Profit/(loss) for the year / period	**(3,582,461)**	(2,034,099)	900,581	968,103	(8,134,049)
Basic earnings per share	**(0.84)**	(0.48)	0.21	0.23	(2.4)
Dividend payments	**-**	-	-	-	-
Decrease in share price	**(67%)**	(8%)	(19%)	(27%)	(48%)
Total KMP incentives as a percentage profit/loss %	**(2.5%)**	(0.8%)	3%	12%	(0.8%)

13.3. 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, Chief Financial Officer, Chief Operations Officer and other Key Management Personnel are also formalised in service agreements.

Details of Key Management Personnel contracts are set out below:

13.3.1. MR PIERRE FALLOURD (Managing Director and Chief Executive Office – Appointed 4 January 2016.)

- Base salary for the 2019 financial period of $240,900 per annum inclusive of superannuation, reviewed annually.
- Directors fees of $21,900 per annum including superannuation, payable from appointment (4 Jan 2016)
- No bonus has been accrued as payable for 18/19.
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

13.3.2. MR MARK LONGHURST (Chief Operating Officer – Appointed 1 March 2016)

- Base salary for the 2019 financial period of $200,000 per annum.
- Non-Financial allowances related to living in Indonesia are also included, to a maximum allowance of $22,500 annually.
- No bonus has been accrued as payable for 18/19.
- Either party may terminate the contract of employment by giving six months 'notice or a lesser amount as mutually agreed.

13.3.3. MS DIANA KUBICKI (Chief Financial Officer – Appointed 26 March 2018)

- Base salary for the 2019 financial period of $190,000 per annum inclusive of superannuation.
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

13.3.4. OTHER NON - EXECUTIVES (STANDARD CONTRACTS)

- Contract terminates on retirement.
- The Company may terminate the Executive's employment agreement by providing two months' written notice or providing payment in lieu of the notice period.
- No entitlement to any special termination payments under these contracts.

13.4. ADDITIONAL INFORMATION OF THE REMUNERATION REPORT

13.4.1. LOANS TO DIRECTORS AND EXECUTIVES

- The Company obtained a debt financing package of $3.5M from Tim Martin (Non-Executive Director) and the Martin Family (related party) in June 2017.

- During the period ended 30 June 2019 the Company agreed to extend the debt financing package with the Martin Family by deferring the $750,000 principal payment due in June 2019 to October 2020.
- The loan originally commenced in January 2017 and was repayable over a three-year period at a 7.5% interest rate, in staged repayments to be completed by 30 June 2020. Due to the deferral of the 30 June 2019 repayment to 30 October 2020 the initial loan term has been extended from 3 years to 3 years and 4 months. There are no other variations to the "Varied Loan Agreement" that was approved by shareholders on 13 September 2017.
- Mr. Martin (Non-Executive Director) has been discharged from the loan and the outstanding loan balance at 30 June 2019 of $2,500,000 is repayable to the Martin Family (a related party) at a 7.5% interest rate, in staged repayments to be completed by 30 October 2020.
- The Martin Family facility is currently secured as a second priority charge over the Company's assets as approved by shareholders at a General Meeting held on 13 September 2017.
- As at 30 June 2019 the balance of the Martin Family loan was $2.5M (30 June 2018: $3.25M)
- As at 30 June 2019 interest accrued and payable on loans from related parties is Nil (30 June 2018: nil)

13.4.2. OPTIONS

- Performance options were issued to Directors and Key Management Personnel during the financial period end 30 June 2019. The options were issued at nil cost to employees and expire on 30 June 2021. The options are exercisable based on graduated vesting dates. Refer to section 13.5.4 for details.
- Performance options were issued to Directors and Key Management Personnel during the financial period end 30 June 2015. The options were issued at nil cost to employees and expired on 31 December 2018. The options were exercisable based on the completion of KPI's specific to each individual. These options were forfeited due to performance criteria not being met by 31 December 2018.

13.4.3. OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

- As at 30 June 2019, Director fees of $10,667 are payable (30 June 2018: $10,767).

13.5. SHARE BASED PAYMENTS COMPENSATION

13.5.1. EMPLOYEE SALARY SACRIFICE SHARE PLAN

There was no salary sacrifice scheme undertaken for the year ended 30 June 2019. The details below relate to the issuing of shares to Directors and Key Management Personnel during the year ended 30 June 2018 and year ended 30 June 2017 under the employee salary sacrifice share plan. Please refer to Note 25 in the financial statements for further details.

NAME	DATE OF ENTRANCE	ENTITLEMENT NO. OF SHARES	NO. OF SHARES TO BE ISSUED	DATE OF ISSUE	SHARES FORFEITED IN THE YEAR	FINANCIAL YEAR IN WHICH SHARES VESTED	NATURE OF SHARES	SHARE ISSUE PRICE	TOTAL VALUE SALARY SACRIFICED
Pierre Fallourd	17/11/14	213,667	213,667	28/11/16	0%	2016 – 100%	Ordinary Shares	$0.045	$9,615
Pierre Fallourd	17/11/14	341,889	341,889	28/11/16	0%	2015 – 100%	Ordinary Shares	$0.045	$15,385

13.5.2 NON-EXECUTIVE DIRECTOR FEE SACRIFICE SHARE PLAN

Please refer to Note 25 in the financial statements for details.

13.5.3. DIRECTOR FEE SALARY SACRIFICE PLAN

The details relating to the allocation of shares to Directors and Key Management Personnel under the Non-Executive Director Fee Salary Sacrifice Share Plan are as follows:

NAME	DATE OF ENTRANCE	ENTITLEMENT NO. OF SHARES	NO. OF SHARES ISSUED	DATE OF ISSUE	SHARES VESTED TO END OF 2017	SHARES FORFEITED IN THE YEAR	FINANCIAL YEAR IN WHICH SHARES VESTED	NATURE OF SHARES	SHARE ISSUE PRICE	TOTAL VALUE SALARY SACRIFICED
Geoff Newman	1/11/14	716,289	716,289	28/11/16	100%	0%	2016 –100%	Ordinary Shares	$0.045	$32,233
Tim Martin	1/11/14	518,512	518,512	28/11/16	100%	0%	2016 –100%	Ordinary Shares	$0.045	$23,333

Notes: These shares were issued under the Non-Executive Directors' plan described above directly to Non-Executive Directors' for past services rendered.

13.5.4. PERFORMANCE OPTIONS

The details relating to the allocation of performance options to Directors and Key Management Personnel under the Atlas Pearls Employee Option Plan are as follows.

The fair value at grant date, for options issued 30 June 2015, is independently determined using a Black & Scholes 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.

The fair value at grant date, for options issued 20 November 2018, is independently determined using a Hoadley Trading & 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	ENTITLE-MENT NO. OF OPTIONS	VESTING DATE	EXPIRY DATE	FINANCIAL YEAR IN WHICH SHARES VEST	SHARE PRICE AT GRANT DATE	OPTION EXERCISE PRICE	VOLATILITY	RISK FREE RATE	TOTAL VALUE OF OPTIONS AT GRANT DATE	FAIR VALUE
Pierre Fallourd[1]	30/06/15	2,000,000	30/06/18	31/12/18	2018	$0.044	$0.059	60%	3.06%	$32,806	$0.016403
Mark Longhurst[1]	30/06/15	1,000,000	30/06/18	31/12/18	2018	$0.044	$0.059	60%	3.06%	$16,403	$0.016403
Pierre Fallourd[2]	20/11/18	1,083,940	30/11/18	30/06/21	2019	$0.019	$0.027	100%	2.13%	$10,666	$0.00984
Mark Longhurst[2]	20/11/18	903,282	30/11/18	30/06/21	2019	$0.019	$0.027	100%	2.13%	$8,888	$0.00984
Pierre Fallourd[2]	20/11/18	1,625,908	01/07/19	30/06/21	2020	$0.019	$0.027	100%	2.13%	$15,999	$0.00984
Mark Longhurst[2]	20/11/18	1,354,924	01/07/19	30/06/21	2020	$0.019	$0.027	100%	2.13%	$13,332	$0.00984
Diana Kubicki[2]	20/11/18	1,567,340	01/07/19	30/06/21	2020	$0.019	$0.027	100%	2.13%	$15,423	$0.00984
Pierre Fallourd[2]	20/11/18	2,709,847	01/07/20	30/06/21	2021	$0.019	$0.027	100%	2.13%	$26,665	$0.00984
Mark Longhurst[2]	20/11/18	2,258,206	01/07/20	30/06/21	2021	$0.019	$0.027	100%	2.13%	$22,221	$0.00984
Diana Kubicki[2]	20/11/18	2,351,009	01/07/20	30/06/21	2021	$0.019	$0.027	100%	2.13%	$23,134	$0.00984

Notes: 1. These unlisted options were approved by the Board of Directors on 29 May 2015.
2. These unlisted options were approved by the Board of Directors on 20 November 2018. and are subject to the following vesting conditions:
i. vesting dates - tranche one will vest immediately, tranche two will vest on 01 July 2019 and tranche three will vest on 01 July 2020; and
ii. the employee remains engaged as an employee at the date of the prescribed vesting above in (i)

13.5.5. EQUITY INSTRUMENTS

The details relating to the equity instruments held by Key Management Personnel are as follows:

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

1. **Options and rights granted as compensation:**
   There were 13,854,456 options issued to Key Management Personnel as remuneration during the year ended 30 June 2019 (30 June 2018: nil).

(B) SHAREHOLDINGS

The number of shares in the Company held during the financial period by each Director of the Company and the other Key Management Personnel of the Group, including their personally related parties, are set out below.

The details relating to the equity instruments held by Key Management Personnel are as follows:

	BALANCE 01/07/18	GRANTED AS COMPENSATION	OPTIONS EXERCISED	OTHER CHANGES	BALANCE 30/06/19
PARENT ENTITY DIRECTORS					
Mr G. Newman	2,563,443	-	-	-	2,563,443
Mr T. Martin[1]	113,086,550	-	-	-	113,086,550
Mr C. Buss[2]	-	-	-	-	-
Mr P. Fallourd	3,866,762	-	-	-	3,866,762
OTHER KEY MANAGEMENT PERSONNEL					
Mr M. Longhurst	-	-	-	-	-
Ms D. Kubicki[3]	-	-	-	-	-
	119,516,755	**-**	**-**	**-**	**119,516,755**

Notes: 1. 4,997,428 shares are directly held by Mr T Martin. The balance of 108,089,122 shares, are related party share holdings.
2. Mr. C Buss was appointed 1 February 2018 as a Non-Executive Director.
3. Ms. D Kubicki was appointed 26 March 2018 as Chief Financial Officer.

(C) OPTION HOLDING

The number of options over ordinary shares in the parent entity held during the 12 months ended 30 June 2019 by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE 01/07/18	GRANTED[3]	VESTED	EXERCISED	LAPSED/ FORFEITED/ OTHER[4]	BALANCE 30/06/19
PARENT ENTITY DIRECTORS						
Mr G. Newman	-	-	-	-	-	-
Mr T. Martin	-	-	-	-	-	-
Mr. C Buss[1]	-	-	-	-	-	-
Mr P. Fallourd	2,000,000	5,419,695	1,083,940	-	2,000,000	4,335,755
OTHER KEY MANAGEMENT PERSONNEL						
Mr M. Longhurst	1,000,000	4,516,412	903,282	-	1,000,000	3,613,130
Ms D. Kubicki[2]	-	3,918,349	-	-	-	3,918,349
	3,000,000	**13,854,456**	**1,987,222**	**-**	**3,000,000**	**11,867,234**

Notes:
1. Mr. C Buss was appointed 1 February 2018 as Non-Executive Director.
2. Ms. D Kubicki was appointed 26 March 2018 as Chief Financial Officer.
3. These unlisted options were approved by the Board of Directors on 20 November 2018.
4. Options forfeited due to performance criteria attached to options exercise not being met by 31 December 2018.

This is the end of the Audited Remuneration Report.

14. 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 29.

Signed in accordance with a resolution of the Directors.

Geoff Newman

Chairman

27 August 2019

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ATLAS PEARLS LIMITED

As lead auditor of Atlas Pearls Limited for the year ended 30 June 2019, 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.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTE	2019 $	2018 $
Revenue from contracts with customers	3	**16,240,725**	14,162,190
Cost of goods sold		**(9,884,321)**	(8,909,878)
GROSS PROFIT		**6,356,404**	5,252,312
Other income	3	**668,625**	579,621
Administration expenses	5	**(5,561,172)**	(5,586,504)
Finance costs	5	**(373,354)**	(331,386)
Marketing expenses		**(294,687)**	(344,577)
Change in fair value less husbandry costs of oysters		**1,741,557**	(287,128)
Change in fair value of pearl and jewellery		**(2,331,340)**	(324,982)
Other expenses	5	**(1,380,887)**	(941,472)
PROFIT/(LOSS) BEFORE INCOME TAX		**(1,174,854)**	(1,984,116)
Income tax /(charge) benefit current year	7	**(2,407,607)**	(49,983)
PROFIT/(LOSS) AFTER INCOME TAX FOR THE PERIOD		**(3,582,461)**	(2,034,099)
OTHER COMPREHENSIVE INCOME/(LOSSES)			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		**1,458,792**	(509,503)
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX		**1,458,792**	(509,503)
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD		**(2,123,669)**	(2,543,602)
PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		**(3,582,461)**	(2,034,099)
TOTAL COMPREHENSIVE INCOME/(LOSSES) IS ATTRIBUTABLE TO: OWNERS OF THE COMPANY		**(2,123,669)**	(2,543,602)
Overall operations:			
EARNINGS PER SHARE FOR PROFIT/(LOSS) FROM CONTRACTS WITH CUSTOMERS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings profit/(loss) per share (CENTS)	6	**(0.84)**	(0.48)
Diluted earnings per share (CENTS)	6	**-**	-

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	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	8	**1,017,220**	1,278,873
Trade and other receivables	10	**791,797**	872,865
Derivative financial instruments		**20,405**	6,465
Inventories	9	**2,227,798**	1,968,744
Biological assets	4	**7,299,854**	9,204,890
TOTAL CURRENT ASSETS		**11,357,074**	13,331,837
NON-CURRENT ASSETS			
Intangibles		**243,902**	-
Loans to joint venture entities	22	**1,364,851**	1,262,848
Biological assets	4	**9,730,810**	8,080,344
Property, plant and equipment	12	**5,517,912**	5,035,034
Deferred tax assets	7	**3,016,446**	3,999,752
TOTAL NON-CURRENT ASSETS		**19,873,921**	18,377,978
TOTAL ASSETS		**31,230,995**	31,709,815
CURRENT LIABILITIES			
Trade and other payables	11	**3,174,823**	2,299,323
Borrowings	13	**2,870,140**	2,310,482
Current tax liabilities	7	**421,675**	115,691
TOTAL CURRENT LIABILITIES		**6,466,638**	4,725,496
NON-CURRENT LIABILITIES			
Borrowings	13	**750,000**	1,750,000
Deferred tax liabilities	7	**1,842,223**	1,207,104
Provisions		**131,300**	128,091
Trade and other payables	11	**131,299**	1,207,104
TOTAL NON-CURRENT LIABILITIES		**2,854,822**	4,725,496
TOTAL LIABILITIES		**9,321,460**	7,810,691
NET ASSETS		**21,909,535**	23,899,124
EQUITY			
Contributed equity	14	**36,857,415**	36,857,415
Reserves	15	**(7,758,487)**	(9,351,359)
(Accumulated losses)		**(7,189,393)**	(3,606,932)
TOTAL EQUITY		**21,909,535**	23,899,124

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO OWNERS OF ATLAS PEARLS					
		CONTRIBUTED EQUITY	REVALUATION RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	(ACCUMULATED LOSS)	TOTAL EQUITY
	NOTE	$	$	$	$	$	$
BALANCES AT 1 JULY 2018		**36,857,415**	**179,179**	**739,187**	**(10,269,725)**	**(3,606,932)**	**23,899,124**
PROFIT FOR THE YEAR		-	-	-	-	(3,582,461)	(3,582,461)
Exchange differences on translation of foreign operations	15	-	-	-	1,458,792	-	1,458,792
Revaluation of property, plant and equipment	15	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		-	-	-	1,458,792	(3,582,461)	(2,123,669)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Contributions of equity, net of transaction costs	14	-	-	-	-	-	-
Employee share scheme	15	-	-	134,080	-	-	134,080
BALANCE AT 30 JUNE 2019		**36,857,415**	**179,179**	**873,267**	**(8,810,933)**	**(7,189,393)**	**21,909,535**
BALANCES AT 1 JULY 2017		**36,857,415**	**179,179**	**739,187**	**(9,760,222)**	**(1,572,833)**	**26,442,726**
PROFIT FOR THE YEAR		-	-	-	-	(2,034,099)	(2,034,099)
Exchange differences on translation of foreign operations	15	-	-	-	(509,503)	-	(509,503)
Revaluation of property, plant and equipment	15	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		-	-	-	(509,503)	(2,034,099)	(2,543,602)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Contributions of equity, net of transaction costs	14	-	-	-	-	-	-
Employee share scheme	15	-	-	-	-	-	-
BALANCE AT 30 JUNE 2018		**36,857,415**	**179,179**	**739,187**	**(10,269,725)**	**(3,606,932)**	**23,899,124**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from pearl and jewellery sales		**15,950,602**	13,834,132
Proceeds from other operating activities		**387,188**	341,750
Payments to suppliers and employees		**(14,560,264)**	(14,175,404)
Income tax (paid)		**(661,125)**	(433,886)
Interest paid		**(359,154)**	(270,677)
Interest received		**6,607**	3,005
Net cash inflow/(outflow) from operating activities	8	**763,854**	(701,080)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(1,144,875)**	(675,794)
Acquisition of subsidiary PT Disthi Mutiara Suci		**(197,087)**	-
Net cash (outflow) from investing activities		**(1,341,962)**	(675,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of borrowings		**(3,813,087)**	(1,507,622)
Proceeds from borrowings		**3,140,235**	1,935,411
Net cash (outflow)/inflow from financing activities		**(672,852)**	427,789
Net decrease in cash and cash equivalents		**(1,250,960)**	(949,085)
Cash and cash equivalents at the beginning of the period		**1,278,873**	2,184,968
Effects of exchange rate changes on cash and cash equivalents		**989,307**	42,990
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**1,017,220**	1,278,873

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 & FORMING PART OF 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 2018. 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, IFRS and the *Corporations Act 2001*. Atlas Pearls is a for-profit entity for the purpose of preparing the 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 2018 financial statements, except for the impact of all new or amended standards and interpretations. The following new standards and interpretations have been adopted by the Group:

- AASB 15 *Revenue from Contracts with Customers* (refer note 3 for accounting policy)
- AASB 9 *Financial Instruments* (refer note 27 for accounting policy)

The adoptions of these standards and interpretations did not result in any material changes to the Group's accounting policies.

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) Recoverability of deferred tax asset - see note 7
(d) Property, plant and equipment depreciation rates - see note 12
(e) Impairment of joint venture receivables – see note 22

1.3. GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of the business.

The net loss after tax for the Group for the year ended 30 June 2019 amounts to a loss of $3.6M (30 June 2018: $2.0M loss). At 30 June 2019 the Group had a working capital balance of $3.7M (30 June 2018: $7.3M); $7.3M (30 June 2018: $9.2M) of this balance comprised of unharvested oysters due for harvest during the next 12 months. At 30 June 2019, the Group had a net asset position of $21.9M (30 June 2018: $23.9M); $17.0M (30 June 2018: $17.3M) of this balance comprised of unharvested oysters.

During the year, the Company delayed a $750,000 scheduled repayment to its major shareholder. The loan was approved at the 2017 AGM and was repayable in instalments through to June 2020 which has now been extended to 30 October 2020. The Group's long-term strategic plan remains on course, with higher seeding targets and increased oyster stock. Oyster stocks on hand (seeded and unseeded) at 30 June 2019 is 2.7M shells (30 June 2018: 2.3M shells).

The Group, however, has not met its revenue forecasts for the year. Whilst the number of pieces expected to be harvested, as well as selling prices achieved at market, have been on target the proportion of goods harvested at a sellable grade and the overall weight of the harvests have been lower than expected. This had an impact on the revenue result and oyster valuation for the year, as well as on cash flow receipts.

Consequently, cash flow funding will be required to bridge working capital requirements until the benefits of the growth strategy can be realised. The Company has secured short term funding of ¥200M (AUD $2.6M) in July 2019, which is repayable by 30 June 2020.

The Group's core debt facility remains in place. The balance of the debt owing to the Martin Family is $2.5M at 30 June 2019. A payment of $250k was made in February 2019 and $500k in April 2019. The remainder of the loan is to be repaid in staggered payments by October 2020.

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

- the international market for wholesale loose white South Sea pearls maintaining existing demand levels and pricing,
- the Group meeting its auction forecasts,
- the quality of harvested pearls meeting valuation expectations, and
- the Group achieving profitable operations with positive operating cash flows.

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

Management have reasonable grounds to believe that the Group will continue as a going concern. Short term funding has been obtained and will enable the Company to effectively manage its harvest schedule.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. This financial report does not include any adjustments relating to the recovery and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosure that may be necessary should the Group be unable to continue as a going concern.

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. The operating segments are consistent with the 2018 Financial Statements.

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 manner in which the product is sold, whether wholesale or retail. Management also considers the business from a geographical perspective and has identified four reportable segments. 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 wholesale business is a producer and supplier of pearls within the wholesale market. The retail business is the manufacture and sale of pearl jewellery and related products within the retail market.

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.

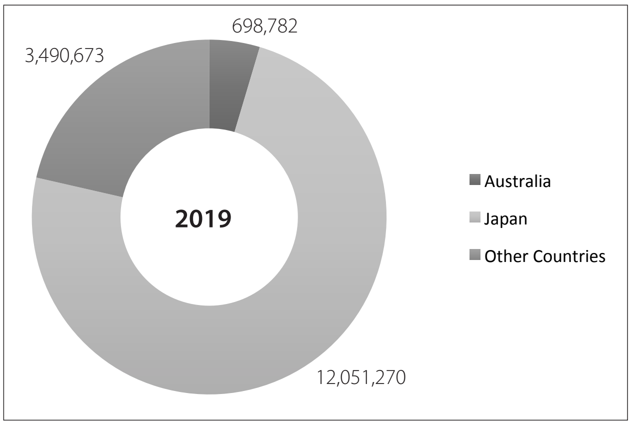
INTER-ENTITY SALES

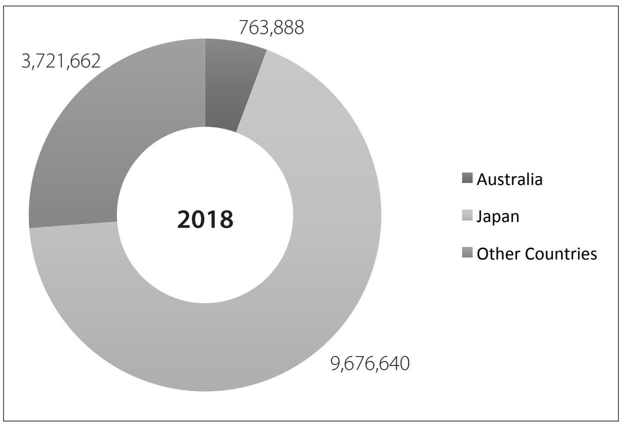
Inter-entity sales are recognised on a cost-plus arrangement as per the Advance Pricing Agreement (APA) effective 01 July 2017 through to 30 June 2020. The transfer price terms per the APA are between 11.8% and 16.47%. These transactions are eliminated within the internal reports. The revenue from external parties reported to the chief operating decision maker 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:

	2019 $	2018 $
Total Segment Revenue	**31,056,073**	26,841,664
Inter-segment eliminations	**(14,853,766)**	(12,681,580)
Other revenues	**38,418**	88
Total revenue from contracts with customers (Note 3)	**16,240,725**	14,162,190





Major customers by country

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

(i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 30 June 2019 is as follows:

30 JUNE 2019	WHOLESALE LOOSE PEARLS		JEWELLERY		TOTAL
	AUSTRALIA $	INDONESIA $	AUSTRALIA $	INDONESIA $	
Total segment revenue	15,206,115	15,154,080	245,521	450,357	**31,056,073**
Inter-segment revenue	-	(14,853,766)	-	-	**(14,853,766)**
REVENUE FROM EXTERNAL CUSTOMERS	**15,206,115**	**300,314**	**245,521**	**450,357**	**16,202,307**
TIMING OF REVENUE RECOGNITION					
At a point in time	15,206,115	300,314	245,521	450,357	16,202,307
Over time	-	-	-	-	-
	15,206,115	**300,314**	**245,521**	**450,357**	**16,202,307**
NORMALISED EBITDA	**624,298**	**286,259**	**(258,969)**	**(48,910)**	**602,678**
ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**24,177**	**183,323**	**(294,179)**	**(63,125)**	**(149,804)**
Depreciation and amortisation	144,435	106,105	32,330	14,385	**297,255**
Revaluation of Biological Assets	-	-	-	-	-
TOTAL SEGMENT ASSETS	**1,185,456**	**24,217,500**	**366,040**	**1,080,091**	**26,849,086**
Total assets include:					
Additions to non–current assets (other than financial assets or deferred tax.	-	1,132,878	3,595	8,401	**1,144,874**
TOTAL SEGMENT LIABILITIES	**(1,870,442)**	**(2,248,279)**	**(27,345)**	**(41,356)**	**(4,187,422)**

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 30 June 2018 is as follows:

30 JUNE 2018	WHOLESALE LOOSE PEARLS		JEWELLERY		TOTAL
	AUSTRALIA $	INDONESIA $	AUSTRALIA $	INDONESIA $	
Total segment revenue	13,145,811	12,962,715	221,473	511,665	**26,841,664**
Inter-segment revenue	-	(12,681,580)	-	-	**(12,681,580)**
REVENUE FROM EXTERNAL CUSTOMERS	**13,145,811**	**281,135**	**221,473**	**511,665**	**14,160,084**
TIMING OF REVENUE RECOGNITION					
At a point in time	**13,145,811**	**281,135**	**221,473**	**511,665**	**14,160,084**
Over time	**-**	**-**	**-**	**-**	**-**
	13,145,811	**281,135**	**221,473**	**511,665**	**14,160,084**
NORMALISED EBITDA	**(2,262,887)**	**2,062,341**	**(312,602)**	**(48,120)**	**(561,269)**
ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**(2,669,656)**	**2,006,307**	**(345,686)**	**(64,292)**	**(1,073,328)**
Depreciation and amortisation	149,610	56,662	33,084	16,246	**255,602**
Revaluation of Biological Assets	-	(287,128)	-	-	**(287,128)**
TOTAL SEGMENT ASSETS	**1,921,577**	**23,387,021**	**301,816**	**836,207**	**26,446,622**
Total assets include:					
Additions to non – current assets (other than financial assets or deferred tax)	-	657,065	226	18,503	**675,794**
TOTAL SEGMENT LIABILITIES	**(539,440)**	**(1,812,958)**	**(8,928)**	**(20,896)**	**(2,382,222)**

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 expense such as interest paid and received, foreign exchange gains and losses whether realised or unrealised, fair value gains and losses and impairment charges.

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

	2019 $	2018 $
NET OPERATING PROFIT BEFORE TAX	**(149,804)**	(1,073,328)
Changes in fair value of biological and agricultural assets	**(589,783)**	(612,110)
Foreign exchange gains	**552,334**	473,996
Foreign exchange losses	**(1,001,542)**	(622,501)
Other	**13,940**	(150,174)
PROFIT/(LOSS) BEFORE INCOME TAX FROM OPERATIONS	**(1,174,854)**	(1,984,116)

(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:

	2019 $	2018 $
Segment Assets	**26,849,086**	26,446,622
Unallocated:		
Joint Venture Loans	**1,365,463**	1,263,441
Deferred tax assets	**3,016,446**	3,999,752
TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION	**31,230,995**	31,709,815

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $2,890,036 (30 June 2018: $916,388). The total located in Indonesia is $15,203,333 (30 June 2018: $15,400,741).

(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:

	2019 $	2018 $
SEGMENT LIABILITIES	**4,187,422**	2,382,222
Unallocated:		
Current tax liabilities	**421,675**	115,691
Borrowings	**2,870,140**	4,060,482
Deferred tax liabilities	**1,842,223**	1,207,104
Other	**-**	45,192
TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION	**9,321,460**	7,810,691

(iv) Normalised EBITDA reconciliation

	2019 $	2018 $
Net profit before tax	**(1,174,854)**	(1,984,116)
Finance/interest paid	**321,147**	282,781
Depreciation/amortisation	**297,255**	255,601
FX (gain)/loss	**449,207**	148,504
Agriculture standard revaluation (gain)/loss	**589,783**	612,110
Other non-operating (income)/expense	**134,080**	-
(Gain) / loss on derivative instruments	**(13,940)**	150,174
NORMALISED EBITDA	**602,878**	(534,946)

3. *Revenue from Contracts with Customers*

3.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 $	2018 $
SALES REVENUE		
Sale of goods	**16,202,307**	14,160,084
OTHER REVENUE		
Other Revenues	**38,418**	2,106
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	**16,240,725**	14,162,190

3.2. OTHER INCOME

	2019 $	2018 $
Foreign exchange gains	**552,334**	473,996
Grant funds	**50,144**	56,721
Gain on derivative financial instruments	**13,940**	-
Interest income	**52,207**	48,605
Gain on sale of assets	**-**	299
TOTAL OTHER INCOME	**668,625**	579,621

SIGNIFICANT ACCOUNTING POLICY

AASB 15 *Revenue from Contracts* with Customers replaces AASB 118 *Revenue*. AASB 15 requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods and/or services is transferred, rather than on transfer of risks and rewards.

The Directors have reviewed and assessed the Group's recognition and measurement of revenue from 1 July 2018 based on the facts and circumstances that existed from this date and concluded that the application of AASB 15 has had no material impact on the recognition or measurement of the revenue for the Group in the current reporting period.

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.

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.

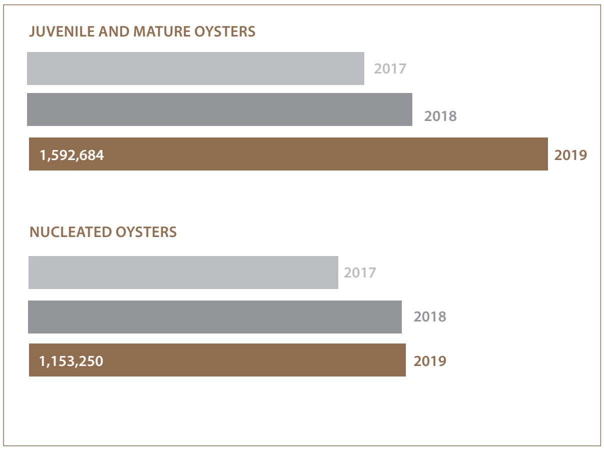
Sale of Goods - Retail
The Group operates a chain of retail stores selling pearl jewellery. Revenue from the sale of goods is recognised when the Group transfers control of the product to the customer, which is typically at the point of sale.

4. *Biological Assets*

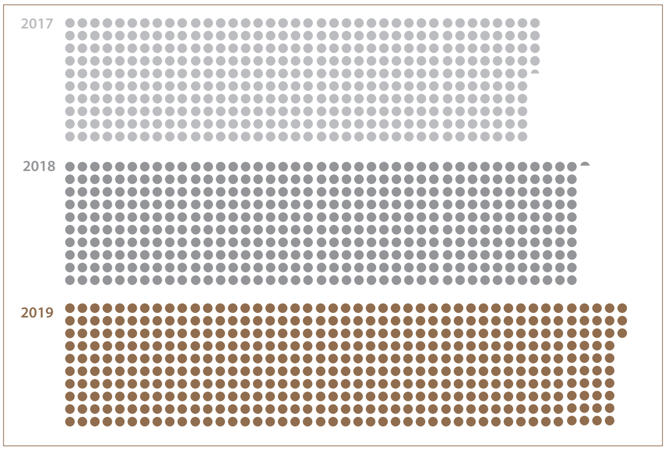
	2019 $	2018 $
CURRENT		
Oysters – at fair value	**7,299,854**	9,204,890
TOTAL CURRENT BIOLOGICAL ASSETS	**7,299,854**	9,204,890
NON CURRENT		
Oysters – at fair value	**9,730,810**	8,080,344
TOTAL NON-CURRENT BIOLOGICAL ASSETS	**9,730,810**	8,080,344
TOTAL BIOLOGICAL ASSETS	**17,030,664**	17,285,234

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:

QUANTITY HELD WITHIN THE GROUP



NUMBER OF PEARLS



No significant events occurred which impacted on oyster mortalities during the financial year.

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.

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 and the harvesting of the pearls and realisation of cash receipts from the 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 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	2019	2018	COMMENTARY
Average selling price	**¥13,200 per momme**	¥12,600 per momme	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	**¥75.73: AUD 1**	¥81.90: AUD 1	Based on forward Yen price per a financial institution.
Average pearl size	**0.37**	0.44	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	**36%**	41%	Based on historical data for pearl grade over the last 12 months.
Discount rate	**20%**	20%	Based on analysis of comparable primary producers.
Mortality	**Historical**	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	**$2.46**	$2.04	Based on historical independent valuation.
Costs to complete	**$0.77**	$0.76	Based on historical averages of costs to complete and sell pearls per momme.

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:

	SELLING PRICE (¥/MOMME)		
	-10% ¥11,880 (SELLABLE GRADE) ¥1,800 (COMMERCIAL GRADE)	NO CHANGE ¥13,200 (SELLABLE GRADE) ¥2,000 (COMMERCIAL GRADE)	+10% ¥14,250 (SELLABLE GRADE) ¥2,200 (COMMERCIAL GRADE)
DISCOUNT RATE	PROFIT $	PROFIT $	PROFIT $
22%	(2,991,785)	(409,190)	2,173,405
20%	(2,634,846)	-	2,634,846
18%	(2,262,560)	(426,808)	3,116,176

	SELLING PRICE (¥/MOMME)		
	-10% ¥11,880 (SELLABLE GRADE) ¥1,800 (COMMERCIAL GRADE)	NO CHANGE ¥13,200 (SELLABLE GRADE) ¥2,000 (COMMERCIAL GRADE)	+10% ¥14,250 (SELLABLE GRADE) ¥2,200 (COMMERCIAL GRADE)
FX RATE	PROFIT $	PROFIT $	PROFIT $
83.31	(4,695,677)	(2,289,812)	116,053
75.73	(2,634,846)	-	2,634,846
68.16	(140,447)	2,771,555	5,683,557

	SELLABLE %		
	-10% 28% (SELLABLE %) 62% (COMMERCIAL %)	NO CHANGE 31% (SELLABLE %) 69% (COMMERCIAL %)	+10% 34% (SELLABLE %) 76% (COMMERCIAL %)
AV. WEIGHT	PROFIT $	PROFIT $	PROFIT $
0.44	543,443	2,634,846	4,732,026
0.40	(1,901,276)	-	1,906,527
0.36	(4,228,187)	(2,507,570)	(782,227)

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

5.1. ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	2019 $	2018 $
Salaries and wages	**3,401,080**	3,242,808
Depreciation property, plant and equipment and amortisation of intangible assets	**297,255**	255,602
Operating lease rental costs	**510,680**	612,062
Compliance and accounting	**360,662**	558,600
Travel	**383,297**	385,021
Other	**608,198**	532,411
TOTAL ADMINISTRATION EXPENSES	**5,561,172**	5,586,504

5.2. FINANCE COSTS

	2019 $	2018 $
Interest and finance charges payable	**373,354**	331,386
TOTAL FINANCE COSTS	**373,354**	331,386

5.3. OTHER EXPENSES

	2019 $	2018 $
Loss on foreign exchange	**1,001,542**	622,501
Loss on derivative financial instruments	**-**	150,174
Provision for employee entitlements	**123,985**	92,641
Share option expense	**134,080**	-
Other	**121,280**	76,156
TOTAL OTHER EXPENSES	**1,380,887**	941,472

6. Earnings profit / (loss) per share

	2019 $	2018 $
Basic earnings/(loss) per share (cents per share)	**(0.84)**	(0.48)
Diluted earnings per share (cents per share)	**-**	-

6.1. EARNINGS RECONCILIATION

	2019 $	2018 $
Net profit/(loss) used for basic earnings	**(3,582,461)**	(2,034,099)
After tax effect of dilutive securities	**-**	-
DILUTED EARNINGS/(LOSS)	**(3,582,461)**	(2,034,099)

	2019 $	2018 $
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	**424,809,620**	422,218,298
Adjustments for calculation of diluted earnings per share: options (note 25)	**20,306,013**	3,000,000
WEIGHTED AVERAGE NUMBER OF POTENTIAL ORDINARY SHARES OUTSTANDING DURING THE PERIOD USED FOR CALCULATION OF DILUTED EARNINGS PER SHARE	**445,115,663**	425,218,298

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 2019 as potential ordinary shares which may have a dilutive effect on the profit of the Group.

Ordinary shares issued to employees under the Employee Share 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. Refer to Note 25.1 for further detail.

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. Refer to Note 25.1 for further detail.

PART C TAX

7. Tax

7.1. INCOME TAX EXPENSE

	2019 $	2018 $
(A) THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:		
Current tax	**789,180**	520,651
Deferred tax	**1,618,427**	(470,668)
INCOME TAX EXPENSE/(BENEFIT)	**2,407,607**	49,983
(B) DEFERRED INCOME TAX (REVENUE) EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES:		
Decrease/(increase) in deferred tax assets (excluding tax losses) (note 7.2)	**983,310**	(1,044,821)
Decrease/(increase) to opening balances	**-**	687,483
(Decrease)/increase in deferred tax liabilities (note 7.2)	**635,117**	(113,330)
DEFERRED TAX EXPENSE/(BENEFIT)	**1,618,427**	(470,668)
(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE:		
Profit/(loss) before income tax expense	**(1,174,854)**	(1,984,116)
Tax at the Australian tax rate of 27.5%	**(323,085)**	(545,632)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	**134,990**	72,586
Sundry items	**440,475**	183,827
Permanent differences	**(24,222)**	(24,691)
Difference in overseas tax rates	**(60,391)**	(3,544)
De-recognition of assets	**-**	367,437
Previously recognised deferred tax assets	**2,239,840**	-
INCOME TAX EXPENSE/(BENEFIT)	**2,407,607**	49,983
Weighted average effective tax rates	**-205%**	-3%
(D) DEFERRED INCOME TAX AT 30 JUNE RELATES TO THE FOLLOWING:		
Deferred tax liabilities		
Fair value adjustment on biological assets	**(548,669)**	63,859
Prepayments	**313**	277
Derivative financial instruments	**(3,833)**	45,214
Other	**(82,927)**	-
Deferred tax assets		
Difference in accounting and tax depreciation	**(19,265)**	(6,167)
Stock	**525,130**	18,711
Accruals	**(3,775)**	1,900
Provisions	**126,192**	46,689
Other	**19,871**	615
Tax losses	**608,376**	324,881
Investment	**-**	(25,311)
Previously recognised deferred tax assets	**(2,239,840)**	-
DEFERRED TAX/(INCOME)	**(1,618,427)**	470,668

For details of the franking account, refer to Note 16

7.2. TAX ASSETS AND LIABILITIES

	2019 $	2018 $
(A) LIABILITIES		
CURRENT		
Income tax payable	**421,675**	115,691
NON-CURRENT		
Deferred tax liabilities comprises temporary differences attributable to:		
Agricultural and biological assets at fair value	**1,753,554**	1,204,885
Prepayments	**128**	441
Current derivative instruments	**5,611**	1,778
Other	**82,930**	-
TOTAL DEFERRED TAX LIABILITIES	**1,842,223**	1,207,104
(B) ASSETS		
Deferred tax assets comprises temporary differences attributable to:		
Tax allowances relating to property, plant & equipment	**-**	19,265
Agricultural and biological assets at fair value	**613,570**	88,440
Accruals	**18,375**	22,150
Provisions	**569,598**	443,406
Impairment of loans	**277,908**	277,908
Other	**67,637**	47,763
	1,547,088	898,932
Previously recognised deferred tax assets	**(2,239,840)**	-
Tax losses recognised	**3,709,198**	3,100,820
TOTAL DEFERRED TAX ASSETS	**3,016,446**	3,999,752

The Company believes that the deferred tax asset relating to tax losses recognised is available to be carried forward based upon the Company's projections of future taxable amounts.

(C) RECONCILIATIONS

The overall movement in deferred tax account is as follows:

Opening balance	**2,792,650**	2,321,982
(Charge)/credit to statement of profit or loss and other comprehensive income	**(1,618,427)**	1,158,151
(Charge)/credit for adjustment to Australian tax	**-**	(687,483)
CLOSING BALANCE	**1,174,223**	2,792,650

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.

The deferred tax assets include an amount of $3,709,198 which relates to carried forward tax losses. During the year ended 30 June 2019 the Group converted an intercompany quasi-equity loan to equity, crystallising tax losses relating to foreign exchange movements. As a result of this transaction the Group has concluded that the total value of the tax losses available to the Group will not be fully utilised within the next five years and have reversed $2,239,840 of previously recognised deferred tax assets. The losses can be carried forward indefinitely and have no expiry date.

PART D CASH FLOW INFORMATION

8. Cash and Cash Equivalents

	2019 $	2018 $
Cash at bank	**1,017,220**	1,278,873
BALANCES PER STATEMENT OF CASH FLOWS	**1,017,220**	1,278,873

RISK EXPOSURE

The Group's exposure to interest rate risk is disclosed in note 17. 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 agreement totalling $100,000 (30 June 2018: $100,000).

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 or 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 cashflows 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

	2019 $	2018 $
PROFIT/(LOSS) AFTER INCOME TAX	**(3,582,461)**	(2,034,099)
Depreciation and amortisation	**297,255**	255,602
Investment income	**(45,600)**	(45,600)
Share based payments	**134,080**	-
Foreign exchange (gain)/losses unrealised	**277,954**	244,839
Income tax expense/(benefit)	**2,407,607**	-
Derivative instrument (gains)/losses unrealised	**(13,940)**	150,174
Agricultural asset fair value (gains)/losses	**589,783**	612,110
Decrease/(increase) in trade and other debtors	**149,767**	(29,552)
Decrease/(increase) in inventories	**1,338,228**	950,451
(Decrease)/increase in trade and other creditors	**420,902**	(188,879)
Increase/(decrease) in provision	**408,707**	37,598
Increase/(decrease) in taxes	**(1,618,427)**	(653,723)
NET CASH OBTAINED/ (USED IN) OPERATING ACTIVITIES	**763,855**	(701,080)

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 2019, the Company had in place a bank overdraft loan facility with the National Australia Bank with a limit of $1.5M (30 June 2018: $1.5M).

8.1.4. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			NON-CASH CHANGES				
	OPENING BALANCE 2018 $	CASH FLOWS $	ACQUISITION $	FOREIGN VALUE CHANGES $	FAIR VALUE CHANGES $	RECLASS-IFICATION IN BALANCE SHEET $	CLOSING BALANCE 2019 $
Long term borrowings	**1,750,000**	-	-	-	-	(1,000,000)	750,000
Short term borrowings	**2,310,482**	(672,852)	-	232,510	-	1,000,000	2,870,140
Lease liabilities	**-**	-	-	-	-	-	-
Assets held to hedge	**-**	-	-	-	-	-	-
Total liabilities from financing activities	**4,060,482**	**(672,852)**	**-**	**232,510**	**-**	**-**	**3,620,140**

PART E WORKING CAPITAL

9. Inventories

	2019 $	2018 $
Pearls	**1,046,377**	1,161,282
Jewellery	**1,181,421**	808,462
TOTAL INVENTORY	**2,227,798**	1,968,744

SIGNIFICANT ACCOUNTING POLICY

Pearls: Pearl inventory is held at cost and value assessed based on the cost 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 2019, a write off of pearl stocks of $2,331,340 has been recorded (30 June 2018: $324,982) to bring the value in line with the assessed net realisable value.

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. Trade and Other Receivables

	2019 $	2018 $
Trade receivables	**288,798**	341,036
Provision for loss allowance	**-**	(3,665)
Net trade receivables	**288,798**	337,371
Sundry debtors & prepayments	**502,999**	535,494
TOTAL TRADE & OTHER RECEIVABLES	**791,797**	872,865

SIGNIFICANT ACCOUNTING POLICY

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. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 27.

11. Trade and Other Payables

	2019 $	2018 $
CURRENT		
Trade payables	**822,720**	425,668
Other payables and accrued expenses	**2,352,103**	1,745,564
TOTAL CURRENT TRADE AND OTHER PAYABLES	**3,174,823**	2,171,232
NON-CURRENT		
Other payables and accrued expenses	**131,299**	128,091
TOTAL NON-CURRENT TRADE AND OTHER PAYABLES	**131,299**	128,091
TOTAL TRADE AND OTHER PAYABLES	**3,306,122**	2,299,323

Other payables include accruals for annual leave and employee benefits of $1,979,601 (30 June 2018: $1,574,103) in the consolidated entity. Non-current other payables comprise of accrued long service leave for employees with more than five year tenure with the Company and provision for make good of commercial rent.

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

12. Property, plant and equipment

	2019 $	2018 $
(A) NON-PEARLING ASSETS		
Plant and equipment		
- at cost	**1,087,569**	1,096,538
- accumulated depreciation	**(946,771)**	(851,950)
	140,798	244,588
Leasehold improvements		
- at cost	**1,058,057**	1,032,844
- accumulated depreciation	**(745,476)**	(654,949)
	312,581	377,895
Total non-pearling assets	**453,379**	622,483
(B) PEARLING PROJECT		
Land (leasehold and freehold) and buildings		
- at cost	**2,615,703**	2,211,080
- accumulated depreciation	**(567,581)**	(436,722)
	2,048,122	1,774,358
Plant and equipment, vessels, vehicles		
- at cost	**8,831,433**	7,376,010
- accumulated depreciation	**(5,815,021)**	(4,737,817)
	3,016,412	2,638,193
Total pearling project	**5,064,534**	4,412,551
TOTAL PROPERTY, PLANT AND EQUIPMENT	**5,517,913**	5,035,034

Included in pearling project land (leasehold and freehold) and buildings is $669,709 (30 June 2018: $532,797) which represents construction of buildings in progress at cost.

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

	2019 $	2018 $
(A) NON-PEARLING ASSETS		
Plant and equipment		
Carrying amount at beginning of the year	**244,588**	354,940
Additions	**11,997**	18,730
Reclassifications /Disposals	**(911)**	(5,536)
Depreciation	**(115,394)**	(123,260)
Foreign exchange movement	**518**	(286)
Carrying amount at end of the year	**140,798**	244,588
Leasehold Improvements		
Carrying amount at beginning of the year	**377,895**	459,303
Additions	**-**	-
Reclassifications/Disposals	**-**	-
Depreciation	**(76,305)**	(75,616)
Foreign exchange movement	**10,991**	(5,792)
Carrying amount at end of the year	**312,581**	377,895

	2019 $	2018 $
(B) PEARLING PROJECT		
Leasehold land and buildings		
Carrying amount at beginning of the year	**1,774,358**	2,469,513
Additions	**878,604**	509,576
Revaluation of freehold land	**(665,318)**	(1,068,764)
Depreciation	**(79,469)**	(57,471)
Foreign exchange movement	**139,947**	(78,496)
Carrying amount at end of the year	**2,048,122**	1,774,358
Plant and equipment, vessels, vehicles		
Carrying amount at beginning of the year	**2,638,193**	2,014,822
Additions	**254,274**	147,488
Disposals / reclassifications	**642,000**	1,068,764
Depreciation	**(711,663)**	(528,837)
Foreign exchange movement	**193,607**	(64,044)
Carrying amount at end of the year	**3,016,411**	2,638,193
TOTAL CARRYING AMOUNT	**5,517,912**	5,035,034

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

	2019 $	2018 $
Depreciation charge (Note 12)	**(982,831)**	(785,184)
Capitalised depreciation charge	**685,576**	529,582
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**(297,255)**	(255,602)
Depreciation of PPE	**(233,070)**	(255,602)
Amortisation of Intangible Asset	**(64,185)**	-
Depreciation charge (Note 5)	**(297,255)**	(255,602)

SIGNIFICANT ACCOUNTING POLICY

Each class of property, plant & 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 economic entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future economic 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 & buildings improvements (5-10%), Vessels (10%), and Plant and Equipment (10-50%).

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).

PART G FUNDING, CAPITAL MANAGEMENT & EQUITY

13. Borrowings

	2019 $	2018 $
CURRENT		
Other loans	**2,870,140**	2,310,482
TOTAL CURRENT BORROWINGS	**2,870,140**	2,310,482
NON CURRENT		
Other loans	**750,000**	1,750,000
TOTAL NON-CURRENT BORROWINGS	**750,000**	1,750,000
TOTAL BORROWINGS	**3,620,140**	4,060,482

Refer to Note 17.4 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 draw down 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.

14. *Contributed equity*

	2019 No. of Shares	2018 No. of shares	2019 $	2018 $
Issued and fully paid-up capital	**422,909,620**	422,909,620	**38,857,415**	38,857,415
ORDINARY SHARES				
Balance at beginning of period	**424,809,620**	424,809,620	**36,857,415**	36,857,415
Shares issued	**-**	-	**-**	-
Share transaction costs	**-**	-	**-**	-
Balance at end of period	**424,809,620**	424,809,620	**36,857,415**	36,857,415
TREASURY SHARES				
Balance at beginning of period	**3,062,138**	3,062,138		
Shares released	**-**	-		
Balance at end of period	**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 over the course of financial year ended 30 June 2019 to employees as part of the Atlas employee share salary sacrifice plan (30 June 2018: 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 20,306,013 unlisted options on issue at 30 June 2019. Information relating to the Atlas Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the end of the reporting period, is set out in note 25.

(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 20% at 30 June 2019 (30 June 2018 : 17%)

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.

15. Reserves

	2019 $	2018 $
Foreign Currency Translation Reserve	**(8,810,933)**	(10,269,725)
Employee Share Reserve	**873,267**	739,187
Revaluation Reserve	**179,179**	179,179
TOTAL RESERVES	**(7,758,487)**	(9,351,359)
Movements:		
Foreign Currency Translation Reserve[1]		
Balance at beginning of year	**(10,269,725)**	(9,760,222)
Currency translation differences arising during the year	**1,458,792**	(509,503)
Balance at end of year	**(8,810,933)**	(10,269,725)
Employee Share Reserve[2]		
Balance at beginning of period	**739,187**	739,187
Movement in Employee Share Reserve	**134,080**	-
Balance at end of year	**873,267**	739,187
Revaluation Reserve[3]		
Balance at beginning of period	**179,179**	179,179
Movement in Revaluation Reserve	**-**	-
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.

16. Dividends

	2019 $	2018 $
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 27.5%	**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.

SIGNIFICANT ACCOUNTING POLICY

A Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at reporting date.

No dividends have been paid or declared in respect of the 2019 financial year or the period ended 30 June 2018.

PART H FINANCIAL RISK MANAGEMENT

17. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. The Group uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk. Risk management is carried out by the Board of Directors and senior management.

The Group holds the following financial instruments:

	2019 $	2018 $
FINANCIAL ASSETS		
Cash and cash equivalents	**1,017,220**	1,278,873
Trade and other receivables	**310,502**	361,707
Derivative financial instruments	**20,405**	6,465
TOTAL FINANCIAL ASSETS	**1,348,127**	1,647,045
FINANCIAL LIABILITIES		
Trade and other payables	**824,821**	426,668
Borrowings	**3,620,140**	4,060,482
TOTAL FINANCIAL LIABILITIES	**4,444,961**	4,487,150

17.1. MARKET RISK

(I) 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 Dollars ("USD").

Foreign exchange risk arises from future commercial transactions and 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.

Management manages their foreign exchange risk against their functional currency. Group companies are required to hedge a proportion of their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts and options under the 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 US Dollars and Japanese Yen increasing or decreasing by 10% and the effect on profit and equity.

	STATEMENT OF FINANCIAL POSITION AMOUNT AUD		FOREIGN EXCHANGE RATE RISK							
			30 JUNE 2019				30 JUNE 2018			
			-10%		10%		-10%		10%	
			PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
	2019	2018								
FINANCIAL ASSETS										
Cash	**1,017,220**	1,278,873	**63,182**	-	**(51,694)**	-	17,236	-	(14,102)	-
Trade and other receivables	**310,502**	361,707	**27,143**	-	**(22,208)**	-	27,992	-	(22,902)	-
Derivatives	**20,405**	6,465	**2,267**	-	**(1,855)**	-	1,460	-	(1,194)	-
FINANCIAL LIABILITIES										
Trade and other payables	**824,821**	426,668	**(37,374)**	-	**30,579**	-	(4,431)	-	3,626	-
Borrowings	**3,620,140**	4,060,482	**-**	-	**-**	-	(90,054)	-	73,680	-
Derivatives	**-**	-	**-**	-	**-**	-	(741)	-	607	-
Total Increase/(Decrease)			**55,218**	-	**(45,178)**	-	(48,538)	-	39,715	-

Trade debtors relates to sales made in JPY. Current borrowings are all held in AUD. Not shown in the table above is the exposure to exchange movements on the intercompany 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 2019 was $2,736,848 (30 June 2018: AUD$2,606,814). The intercompany loans are eliminated on consolidation.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from its borrowings. Current borrowings are repayable by 30 June 2020 and non-current borrowings are repayable by 30 October 2020, both are at fixed interest rates. As such the Group considers that any fair value interest rate risk or cash flow risk will be immaterial.

(iii) 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.

17.2. 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 wholesale and retail 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. For retail customers without credit rating the Group generally retains title over the goods sold until payment is received in full.

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 expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2019 or 1 July 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) 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.

	2019 $	2018 $
TRADE RECEIVABLES		
Wholesale customers – existing customers with no previous defaults	**288,798**	312,055
Derivative financial assets	**20,405**	6,465

17.3. 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 term 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.

17.4. FINANCING ARRANGEMENTS

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

	2019 $	2018 $
Foreign currency trade loans	-	**810,482**
Overdraft facility (NAB)	**1,500,000**	**1,500,000**
	1,500,000	**2,310,482**

- During the year ended 30 June 2019, the Company maintained the existing $1,500,000 working capital overdraft facility 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 2019, $1,120,140 (30 June 2018: Nil) has been drawn down on this facility.
- During the year ended 30 June 2019, repayments of $750,000 have been made to the debt financing package from Mr. Martin (Non-Executive Director) and the Martin Family (a related party). $250,000 in February 2018 and $500,000 in April 2019 in accordance with the loan contract.
- During the year ended 30 June 2019 the Company agreed to extend the debt financing package with the Martin Family (related party) by deferring the $750,000 principal payment due in June 2019 to October 2020. The loan originally commenced in January 2017 and was repayable over a three year period at a 7.5% interest rate, in staged repayments to be completed by 30 June 2020. Due to the deferral of the 30 June 2019 repayment to 30 October 2020 the initial loan term has been extended from 3 years to 3 years and 4 months. There are no other variations to the "Varied Loan Agreement" that was approved by shareholders on 13 September 2017. Mr. Martin (Non-Executive Director) has been discharged from the loan and the outstanding loan balance at 30 June 2019 of $2,500,000 is repayable to the Martin Family (a related party) at a 7.5% interest rate, in staged repayments to be completed by 30 October 2020.
- During the year ended 30 June 2018, the Company agreed to two unsecured short term loans of US$600,000 and ¥100,000,000 provided by two commercial partners. The ¥100,000,000 loan commenced in February 2018 and was repaid in full on 25 June 2018. The US$600,000 was drawn down in May 2018 and was repaid in full on 30 April 2019.
- On 1 July 2018, the Company agreed to an unsecured short term loan of ¥165,000,000. The loan was repaid in full on 17 June 2019.
- On 9 April 2019, the Company agreed to an unsecured short term loan of ¥200,000,000. The loan is to be repaid in full on or before 30 June 2020.

17.5. 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.

CONSOLIDATED ENTITY	30 JUNE 2019						30 JUNE 2018					
	LESS THAN 6 MONTHS	6 - 12 MONTHS	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	TOTAL CONTRAC-TUAL CASH FLOWS	CARRYING AMOUNT (ASSET)/ LIABILITIES	LESS THAN 6 MONTHS	6 - 12 MONTHS	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	TOTAL CONTRAC-TUAL CASH FLOWS	CARRYING AMOUNT (ASSET)/ LIABILITIES
	$	$	$	$	$	$	$	$	$	$	$	$
NON-DERIVATIVES												
Trade payables	824,821	-	-	-	824,821	824,821	426,668	-	-	-	426,668	426,668
Borrowings	-	1,750,000	750,000	-	2,500,000	2,500,000	-	2,310,482	1,250,000	500,000	4,060,482	4,060,482
TOTAL NON-DERIVATIVES	**824,821**	**1,750,000**	**750,000**	**-**	**3,324,821**	**3,324,821**	**426,668**	**2,310,482**	**1,250,000**	**500,000**	**4,487,150**	**4,487,150**
DERIVATIVES												
Net settled (Non deliverable forwards)	20,405	-	-	-	20,405	20,405	6,465	-	-	-	6,465	6,465
Gross settled												
-(inflow)	2,334,223	-	-	-	2,334,223	2,334,223	4,150,000	-	-	-	4,150,000	4,150,000
-outflow	(2,313,818)	-	-	-	(2,313,818)	(2,313,818)	(4,143,535)	-	-	-	(4,143,535)	(4,143,535)
TOTAL DERIVATIVES	**20,405**	**-**	**-**	**-**	**20,405**	**20,405**	**6,465**	**-**	**-**	**-**	**6,465**	**6,465**

(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 2019 and 30 June 2018 on a recurring basis:

30 JUNE 2019	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$	$	$	$
ASSETS				
Forward foreign exchange contracts	-	20,405	-	20,405
Biological Assets	-	-	17,030,664	17,030,664
TOTAL ASSETS	**-**	**20,405**	**17,030,664**	**17,051,069**

30 June 2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$	$	$	$
ASSETS				
Forward foreign exchange contracts	-	6,465	-	6,465
Biological Assets	-	-	17,285,234	17,285,234
TOTAL ASSETS	**-**	**6,465**	**17,285,234**	**17,291,699**

(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. As at 30 June 2019 there are no level 3 related instruments in place.

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 if 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 work 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 agree with the Board of Directors every six. 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 2019 or 30 June 2018.

(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 2019:

	BIOLOGICAL ASSETS	TOTAL
	$	$
OPENING BALANCE 30 JUNE 2018	17,285,234	**17,285,234**
Additions	1,315,037	**1,315,037**
Gains recognised through 'change in fair value'	4,386,073	**4,386,073**
Losses recognised through 'change in fair value'	(5,956,580)	**(5,956,580)**
CLOSING BALANCE AT 30 JUNE 2019	17,030,664	**17,030,664**

INPUT	2019	2018	COMMENTARY
Average selling price	**¥13,200 per momme**	¥12,600 per momme	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	**¥75.73: AUD 1**	¥81.90: AUD 1	Based on forward Yen price per a financial institution.
Average pearl size	**0.37**	0.44	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	**36%**	41%	Based on historical data for pearl grade over the last 12 months.
Discount rate	**20%**	20%	Based on analysis of comparable primary producers.
Mortality	**Historical**	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	**$2.46**	$2.04	Based on historical independent valuation.
Costs to complete	**$0.77**	$0.76	Based on historical averages of costs to complete and sell pearls per momme.

(D) FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values as at 30 June 2019:

	CARRYING		CARRYING	
	2019	2019	2018	2018
	AMOUNT	FAIR VALUE	AMOUNT	FAIR VALUE
Debt Financing	**750,000**	**750,000**	1,750,000	1,750,000
TOTAL NON-CURRENT BORROWING	**750,000**	**750,000**	1,750,000	1,750,000

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

18. Events occurring after the reporting period

On 1 July 2019, Atlas received ¥200M (AUD $2.6M) in short term financing from a commercial partner. The loan is repayable on or before 30 June 2020. The loan funding provides the Company with short term working capital which will aide in the effective management of its harvest schedule.

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

19. Commitments

	2019 $	2018 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**344,702**	344,740
Later than one year, but not later than five years	**370,920**	680,671
Later than five years	**-**	-
	715,622	1,025,411

Non - cancellable operating leases
The Group leases premises under non-cancellable operating leases expiring in May 2021. On renewal the terms of the leases are renegotiated.

There are no capital commitments in place in relation to the acquisition of property, plant and equipment. Fixed assets are replaced in the normal course of business operations and the Company does not anticipate any material capital outlay for such replacement costs in the coming year.

Other commitments/guarantees
Atlas Pearls had a bank guarantee with the National Bank of Australia for AUD$100,000 at 30 June 2019 (30 June 2018: $100,000). This guarantee has been taken out to secure the rental of the Atlas Pearls corporate offices in Claremont, Western Australia.

SIGNIFICANT ACCOUNTING POLICY

Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

20. 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 programme may result in future tax liabilities in relation to prior year tax returns. All assessments received to date have been brought to account. Currently there are no periods under review.

PART J OTHER

21. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 27.2.

Name of entity	Class of Shares	Percentage Owned 30 June 2019	Percentage Owned 30 June 2018	Place of Incorporation
Perl'Eco Pty Ltd	Ord	100%	100%	Australia
Tansim Pty Ltd	Ord	100%	100%	Australia
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia
P.T Disthi Mutiara Suci	Ord	100%	0%	Indonesia
P.T Chaya Bali	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia

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

22. Related party transactions

(A) SUBSIDIARIES

Interests in subsidiaries are set out in note 21.

(B) JOINT VENTURES

World Senses Pty Ltd was formed on 29 November 2012 as a joint venture between Nomad Two Worlds Global Trading Pte Ltd and Atlas Pearls Ltd.

At 30 June 2019, there is a net loan balance of $698,212 owing from World Senses Pty Ltd to Atlas (30 June 2018: $698,212). This balance consists of salary and administration recharges and accounting charges, offset by pearl cosmetic products, pearl jewellery and pearl protein extraction assets transferred to Atlas. The net loan receivable balance for Atlas from World Senses Pty Ltd of $698,212 has been fully impaired due to the net liability position of the World Senses Pty Ltd accounts.

Essential Oils of Tasmania Pty Ltd was acquired in January 2013 as a 100% subsidiary. On 20 April 2015 50% of the investment in the entity was sold to Westwood Properties Pty Ltd. Post this sale Essential Oils of Tasmania Pty Ltd has been deemed a joint venture and accounted for using the equity method.

	2019 $	2018 $
Due from World Senses Pty Ltd	**771,173**	771,173
Due to World Senses Pty Ltd	**(72,961)**	(72,961)
Impairment of World Senses asset	**(698,212)**	(698,212)
Due from Essential Oils of Tasmania Pty Ltd	**2,180,879**	2,078,876
Impairment of Essential Oils of Tasmania Pty Ltd Receivable	**(816,028)**	(816,028)
TOTAL LOANS TO JOINT VENTURES	**1,364,581**	1,262,848

Significant estimates and judgements

Expected credit losses of loan receivable

Loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and whether there has been a significant increase in credit risk ("SICR") since initial recognition. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. In relation to the $2,180,879 loan receivable from EOT, the Group have determined that there was an increase in SICR since initial recognition, therefore they were required to recognise the lifetime expected credit loss and recognise interest on a gross basis. The probability of default estimated by management was 15%, therefore the calculated allowance for credit loss is not material and has not been brought to account.

(C) KEY MANAGEMENT PERSONNEL COMPENSATION

Detailed remuneration disclosures are provided in section 13.2 of the remuneration report.

	2019 $	2018 $
Short term employment benefits	**814,130**	837,714
Post-employment benefits	**39,284**	44,267
Share based compensation	**136,328**	16,388
	989,742	898,369

(D) TRANSACTIONS WITH OTHER RELATED PARTIES

The following balances are outstanding at the end of the reporting period in transactions with related parties:

	2019 $	2018 $
Director fees payable	**10,667**	10,767

(E) LOANS FROM RELATED PARTIES

Refer to Note 17.4 for detailed disclosures on financing arrangements. Loans detailed below are accounted for under current and non-current liabilities (see note 13).

	2019 $	2018 $
Beginning of the year	**3,250,000**	3,501,233
Loans advanced from	**-**	-
Principal repayments	**(750,000)**	(250,000)
Interest charged	**229,829**	254,846
Interest paid	**(229,829)**	(256,079)
END OF YEAR	**2,500,000**	3,250,000

23. *Interests in Joint Ventures*

(A) JOINT VENTURE

The parent entity has a 50% interest in World Senses Pty Ltd, which is a resident in Australia and the principal activity of which is the commercialisation of Atlas and Essential Oils of Tasmania Pty Ltd's research and development, products and export markets.

The parent entity has a 50% interest in Essential Oils of Tasmania Pty Ltd, which is a resident in Australia and the principal activity of which is to grow and produce essential oils.

The interest in World Senses Pty Ltd and Essential Oils of Tasmania Pty Ltd is accounted for in the financial statements using the equity method of accounting (refer to note 22). The joint venture is unlisted hence no quoted fair value is disclosed. Information regarding to the joint ventures are set out below.

	2019 $	2018 $
WORLD SENSES PTY LTD		
JOINT VENTURES' ASSETS AND LIABILITIES		
Current assets	**304,246**	305,114
Non-current assets	**441,333**	441,333
Total assets	**745,579**	746,447
Current liabilities	**41,491**	41,641
Non-current liabilities	**1,760,292**	1,760,292
Total liabilities	**1,801,783**	1,801,933
NET ASSETS	**(1,056,204)**	(1,055,486)
JOINT VENTURE'S REVENUES, EXPENSES AND RESULTS		
Revenues	**-**	7,272
Expenses	**(718)**	(6,342)
Profit/(loss) for the period	**(718)**	930
RECONCILIATION TO CARRYING VALUE		
Opening net asset 1 July	**(1,055,486)**	(1,056,416)
Profit/(loss) for the period	**(718)**	930
CLOSING NET ASSETS (LIABILITIES)	**(1,056,204)**	(1,055,486)
GROUP'S SHARE IN PERCENTAGE	**50%**	50%
Group share in profit/(loss)	**(359)**	465
Carrying value	**-**	-

	2019 $	2018 $
ESSENTIAL OILS OF TASMANIA PTY LTD		
JOINT VENTURES' ASSETS AND LIABILITIES		
Current assets	**4,262,277**	4,117,109
Non-current assets	**1,181,730**	1,150,631
Total assets	**5,444,007**	5,267,740
Current liabilities	**473,693**	357,893
Non-current liabilities	**4,706,483**	4,973,766
Total liabilities	**5,180,176**	5,331,659
NET ASSETS	**263,831**	(63,919)
JOINT VENTURE'S REVENUES, EXPENSES AND RESULTS		
Revenues	**3,832,172**	4,104,275
Expenses	**(3,504,422)**	(4,026,394)
Profit/(loss) for the period	**327,750**	77,881
RECONCILIATION TO CARRYING VALUE		
Opening net asset 1 July	**(63,919)**	(141,800)
Profit/(loss) for the period	**327,750**	77,881
CLOSING NET ASSETS (LIABILITIES)	**263,831**	(63,919)
GROUP'S SHARE IN PERCENTAGE	**50%**	50%
Group share in profit/(loss)	**163,875**	38,941
Carrying value	**-**	-

(B) 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.

Each of the partners in Essential Oils of Tasmania 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.

24. Parent entity financial information

(A) SUMMARY FINANCIAL INFORMATION

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

	2019 $	2018 $
STATEMENT OF FINANCIAL POSITION		
Current assets	1,638,652	1,840,553
Total assets	22,229,455	24,440,639
Current liabilities	6,596,130	5,459,679
Total liabilities	5,361,007	5,221,347
SHAREHOLDERS' EQUITY		
Issued capital	36,857,417	36,857,417
RESERVES		
Share-based payment reserve	823,270	739,188
Accumulated losses	(18,377,313)	(15,594,139)
	19,353,373	22,002,467
LOSS FOR THE PERIOD	**(2,484,924)**	**(2,783,174)**
TOTAL COMPREHENSIVE LOSS	**(2,484,924)**	**(2,783,174)**

(B) CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2019 (30 June 2018: Nil). The parent entity did not provide financial guarantees during the period (30 June 2018: 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.

25. *Share Based Payments and Options*

25.1. EMPLOYEE SALARY SACRIFICE SHARE PLAN

At the Annual General Meeting on 20 November 2018 it was resolved by the shareholders to approve the Atlas Pearls Ltd Employee Option Plan ("Plan"). 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, employees, consultants and contractors for their past performance
(b) Provide long term incentives for participation In the Company's future growth
(c) Motivate Directors, Executives, employees, consultants and contractors and general loyalty; and
(d) Assist to retain the services of valued Directors, Executives, employees, consultants and contractors.

The Plan will be used as part of the remuneration planning for Directors, Executives, employees, consultants and contractors. Under the Plan, participants are granted options which can only vest if share price increases 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 shirt 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, the last day of any period specified in clause 25(b); and
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).

25.2. OPTIONS ON ISSUE

On 20 November 2018 21,269,928 options exercisable at $0.027 each, on or before 30 June 2021 (expiry date), were issued to employees of the Company on the terms and conditions set out in the Explanatory Memorandum ratified at the Annual General Meeting held on 20 November 2018.

Options are granted under the plan for no consideration. Options granted under the Plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of the options is based on 142.8% of the volume weighted average share price at which the Company's shares are traded on the Australian Stock Exchange (ASX) during the 30 trading days prior to the date of the grant.

	EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
AS AT 30 JUNE 2018	0.059	3,000,000
Granted during the period	0.027	21,269,928
Exercised during the period	-	-
Expired during the period	0.059	3,000,000
Forfeited during the period	0.027	963,917
AS AT 30 JUNE 2019	**0.027**	**20,306,013**

ISSUE DATE	Expiry Date	EXERCISE PRICE	SHARE OPTIONS 30 JUNE 2019	SHARE OPTIONS 30 JUNE 2018
30 June 2015	31 December 2018	0.0590	-	3,000,000
20 November 2018	30 June 2021	0.0270	20,306,013	-
TOTAL			20,306,013	3,000,000
Weighted average remaining contractual life of options outstanding at the end of the period			2.0 years	0.5 years

25.3. FAIR VALUE OF OPTIONS GRANTED

The assessed fair value at grant date of options granted during the year ended 30 June 2019 was $0.00984 (21,269,928 options). This valuation imputes a total value of approximately $209,296 for the proposed options. The value may go up or down as it will depend in part on the future price of a Share.

The fair value at grant date is independently determined using a Hoadley Trading & 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

The model inputs for options granted during the year ended 30 June 2019 are detailed below:

I. Options are granted for no consideration;
II. Vesting dates - Tranche one will vest immediately, Tranche two will vest on 01 July 2019 and Tranche 3 will vest on 01 July 2020;
III. Exercise price - $0.0270,
IV. Grant date - 20 November 2018,
V. Share price at grant date - $0.019,
VI. Expected price volatility of the Company's shares - 100%,
VII. Expected dividend yield - 0%, and
VIII. Risk-free Interest rate - 2.13%.The expected price volatility is based on the historical weekly volatility of the Company over two and three-year trading periods.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Atlas Pearls for the amount recognised as an expense in relation to these options.

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions and option related valuation expenses recognised during the period as part of employee benefit expense were as follows:

	2019 $	2018 $
Option expense	**134,080**	20,518
Option release for forfeited options	**-**	(20,518)
TOTAL SHARE-BASED PAYMENT EXPENSE	**134,080**	-

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

Share Based Payments: The fair value of shares granted under the Employee Share 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.

26. *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:

AUDIT SERVICES	2019 $	2018 $
BDO AUSTRALIA FIRM: Audit and review of financial reports	**101,148**	93,279
BDO INDONESIA FIRM: Audit and review of financial reports	**46,786**	30,781
Total remuneration for audit and other assurance services	**147,934**	124,060
Other Services	**2,328**	5,100
Total remuneration for other services	**2,328**	5,100
TOTAL REMUNERATION OF BDO FOR AUDIT AND OTHER RELATED SERVICES	**150,262**	129,160

27. *Accounting policies*

27.1. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2019 unless disclosed separately. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB AMENDMENT	AFFECTED STANDARD(S)	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 16	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases*. Leases with terms greater than 12 months, unless the underlying asset is immaterial, will be recognised as a lease liability and a right of use asset in the statement of financial position.	1 Jan 19	1 July 19

IMPACT ON INITIAL APPLICATION:

AASB 16

To the extent that the Company, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

Thereafter EBITDA will increase as a result of operating lease expenses currently included in EBITDA which will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 *Leases*. This trend will reverse in the later years.

Atlas Pearls has identified the following lease where this standard change will have an impact:

- Claremont office lease held by the parent entity.

27.2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls as at 30 June 2019 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 deconsolidated 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.

27.3. 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.

27.4. COMPARATIVE FIGURES

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

27.5. 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.

27.6. 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.

Share-based payments
Share-based compensation benefits are provided to employees via the Atlas Pearls Employee Share Plan Pty Ltd. Information relating to this scheme is set out in note 25.

27.7. 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.

27.8. 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.

27.9. FINANCIAL INSTRUMENTS

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 *Financial Instruments*: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 did not give rise to any material transitional adjustments.

In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

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.

On transition to AASB 9 the assessment of the Group's business models was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Impairment

From 1 July 2018 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 2019 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.

27.10. 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.

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 2019 and of the performance for the period 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.

(d) in the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(e) the remuneration disclosures included in the Directors' Report (as part of audited remuneration report) for the period ended 30 June 2019 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

Perth, Western Australia

27 August 2019.

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Australia

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 2019, 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 2019 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 (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.

Material uncertainty related to going concern

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

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of 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, sellable percentage of pearls, 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; • testing the mathematical accuracy of the fair value model used by management; • counting a sample of oysters on hand at the year-end as part of our year end site visit and agreeing this to the fair value model; • assessing the key inputs contained within the fair value model, including the future selling prices, exchange rates, pearl size, sellable percentage of pearls, mortality, costs to complete and discount rate; • performing a sensitivity analysis of the key inputs including the discount rate, foreign exchange rate, selling price, pearl size and sellable percentage of pearls as these are the key assumptions against which the model is most sensitive to; and • evaluating the adequacy of the related disclosure in Note 4 to the financial report.

Recoverability of Deferred Tax

Key audit matter	How the matter was addressed in our audit
The Group's deferred tax assets, as disclosed in Note 7 to the financial report was a key audit matter due to the recognition of these assets involving judgement by management as to the likelihood of the realisation of these assets. The Australian Accounting Standards require deferred tax assets to only be recognised to the extent that it is probable that they will be utilised against future taxable profits.	Our procedures included, but were not limited to: • reviewing the calculation of the deferred tax assets prepared by the Group's tax specialist as well as assessing the competency and objectivity of the specialist; • assessing and challenging management's judgements relating to the forecast of future taxable profits and evaluating the reasonableness of the assumptions underlying the preparation of the forecasts against actual performance of the Group; and • evaluating the adequacy of the related disclosures in Note 7 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 2019, 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 at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 21 to 27 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Atlas Pearls Limited, for the year ended 30 June 2019, 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

Glyn O'Brien

Glyn O'Brien

Director

Perth, 27 August 2019

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 22 August 2019.

(A) DISTRIBUTION SCHEDULE AND NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 22 AUGUST 2019

	1 - 1000	1,001 - 5,000	5,001 - 10,000	10,001 - 100,000	100,001 - and over	TOTAL
Fully Paid Ordinary Shares (ATP)	134	395	291	843	357	2,020
Unlisted Options - 2.7c 30/06/2021	-	-	-	-	15	15

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 22 August 2019 is 1,033

(B) 20 LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 22 AUGUST 2019

The names of the twenty largest holders of fully paid ordinary shares (ASX code: ATP) as at 22 August 2019 are:

RANK	NAME	SHARES	% OF TOTAL SHARES
1	Boneyard Investments Pty Ltd	53,048,882	12.40
2	Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	32,400,000	7.57
3	HSBC Custody Nominees (Australia) Limited	22,718,119	5.31
4	Raintree Pearls & Perfumes Pty Ltd	20,718,834	4.84
5	SP & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>	20,529,202	4.80
6	Jingie Investments Pty Ltd	17,880,240	4.18
7	Abermac Pty Ltd	17,833,333	4.17
8	Westwood Properties Pty Ltd	8,000,000	1.87
9	Mr Nelson Michel Pierre Rocher	6,712,185	1.57
10	Citicorp Nominees Pty Limited	6,492,237	1.52
11	Five Talents Limited	5,620,000	1.31
12	Mr Paul Michael Butcher	5,000,000	1.17
13	Chembank Pty Limited <Cabac Super Fund A/C>	5,000,000	1.17
14	Coakley Pastoral Co Pty Ltd <Tim Coakley Super Fund A/C>	4,744,717	1.11
15	Miss Kristie Birkbeck	3,818,536	0.89
16	Queensridge Investments Pty Ltd <Gleeson Super Fund A/C>	3,549,072	0.83
17	Mr Timothy James Martin	3,540,883	0.83
18	Ms Jennifer Michelle Roughan	3,360,000	0.79
19	Mr Gerald Francis Pauley + Mr Michael James Pauley <Pauley Super Fund A/C>	3,312,706	0.77
20	Mr Pierre Fallourd	3,311,206	0.77
	TOTAL	**247,590,152**	**57.87**

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.

The unquoted securities on issue as at 22 August 2019 are detailed below in part (D).

(C) SUBSTANTIAL HOLDERS

Substantial shareholders in Atlas Pearls Limited 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 & Associates *	112,345,667	27.09%	4 May 2015
Raintree Pearls & Perfumes Pty Ltd & Associates **	30,090,855	13.12%	8 June 2012

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

**Includes shares held by Raintree Pearls & Perfumes Pty Ltd and SP & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>.

(D) UNLISTED SECURITIES

The number of unquoted securities on issue as at 22 August 2019;

SECURITY	NUMBER ON ISSUE
Unlisted options exercisable at 2.7 cents on or before 30 June 2021	21,269,928

(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 22 August 2019.

(F) RESTRICTED SECURITIES AS AT 22 AUGUST 2019

There were no restricted securities on issue as at 22 August 2019.

(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/corporate-governance-statement.

ATLAS
PEARLS

URBAN BOUTIQUES

AUSTRALIA, Perth

BALI, Seminyak

FARM BOUTIQUES

NORTH BALI, Penyabangan

FLORES, Labuan Bajo, Pungu Island

RAJA AMPAT, Alyui Bay

FARMS

EAST NUSA TENGGARA, Lembata Bay

EAST NUSA TENGGARA, Alor Bay

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