



ASX Release
31 July 2020

Atlas Pearls: June 2020 Quarterly Update and Appendix 4C

Atlas Pearls Ltd (ASX: ATP) (“Atlas” or “the Company”) today announces an update for the Quarter Ending 30 June 2020.

During the quarter ending 30 June 2020, Atlas faced a rare set challenges to both the production and distribution of South Sea Pearls.

The COVID-19 pandemic disrupted the Company’s ability to travel and host scheduled auction events in Kobe, Japan and Hong Kong. During this period, Atlas moved to a process of limited-attendance auctions supplemented by continuous sales through private viewing. The Company is now reviewing all distribution arrangements with a view to developing more robust networks while travel remains difficult.

In Indonesia, regional travel restrictions impacted both the movement of employees and farm supplies. Nevertheless, operations were sustained without impact but harvests have been re-scheduled to reflect the smoothing of sales.

As a consequence, harvest times are moving closer to the ideal 24 month lifecycle which should see an uplift in the size of the Company’s pearls. Although it is too early to quantify, initial results are promising.

The deferral of planned sales events and the re-scheduling of harvests caused some build up of stock at the end of the June quarter and a requirement for funding. This was met, in part, by the sale of the Company’s 50% ownership in the joint venture Essential Oils of Tasmania. The sale, completed on 30 June 2020, realised a cash injection of \$1,500,000.

Atlas continues to have positive dialogue with lenders to secure additional funding as soon as possible.

April to June 2020 Quarterly Results

Key items to note for the quarter are:

- Sale of interest in 50% joint venture Essential Oils of Tasmania realised a cash injection of \$1.5m.
- Continuous sales through private selling events realised \$4.3m in the June quarter.
- The Company progressively extended harvest times to the ideal 24 month grow out timing.
- Atlas successfully delivered a pearl harvest to The Japan Pearl Centre in Kobe which enabled the Company to achieve some sales through April to June 2020.
- Pearl seeding for the quarter were inline with targets resulting in the Company meet year to date seeding targets.
- During the quarter the Company spent \$3.9m on pearling operations including \$1.8m on product manufacturing and operating costs and \$1.5m on staff costs. Please refer to section 1 of the attached Appendix 4C.
- Related party payments during the quarter total \$10k which relates to the payment of Director fees. Please refer to section 6 of the attached Appendix 4C.

July to September 2020 Outlook

Key items of note for July to September 2020 are:

- Demand for pearls internationally is expected to remain soft and when combined with the restricted ability to move pearls globally the traditional sales networks are forecast to remain compromised. There is hope that the international pearl market will begin to recover in November when auction houses in both Japan and Hong Kong are likely to reopen.

- Atlas is retaining loose pearl stock to enable the Company to springboard back into sales once the pearl industry recovers.

Funding update

Atlas is pleased to provide a further update in relation to the repayment schedule associated with the Company's loan with Boneyard Investments Pty Ltd (Boneyard). Atlas announced to ASX on 30 January 2017 a loan with Boneyard which was varied on 28 June 2017 ("the Varied Loan Agreement"). Boneyard is an entity associated with Tim Martin, Non-executive Director of Atlas.

The Company previously advised on 30 June 2020 that repayments totalling \$1,750,000 were deferred to 31 July 2020. As part of the ongoing negotiations on the repayment schedule for its total debt of \$2.5m due to Boneyard, the Company advises that the repayments of \$1,750,000 is now scheduled for 31 August 2020 with the remaining \$750,000 repayment due on 30 October 2020. All other terms of the Varied Loan Agreement remain the same.

The Company is finalising documentation for execution with Boneyard regarding the revision of the remaining loan repayment schedule. Atlas intends to make an ASX announcement shortly regarding the new funding arrangement.

A summary of the Varied Loan Agreement and Security terms including the initial repayment schedule for the loan was included at Schedule 1 of the Company's Notice of General Meeting released to ASX on 14 August 2017. An ASX announcement will be made on this matter on conclusion of the negotiations with Boneyard.

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

Investor and Media Queries:

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ABOUT ATLAS PEARLS LTD

Atlas Pearls Ltd (ASX: ATP) is an Australian listed pearling business with core operations in Indonesia established in 1992. Atlas has earned an enviable reputation as a world leading pearl producer of "the queen of all gems", the South Sea pearl, specialising in high quality white and silver pearls. Atlas operates pearl farms spread across the Indonesian archipelago, including Bali, Flores, and West Papua. Atlas is a fully integrated business including hatchery, seeding, harvesting, grading, trading, design and manufacturing capabilities to sell directly to customers through wholesale partners and via its retail outlets.

Atlas has been involved since its inception in managing active community relationships in Indonesia in the areas of environment protection, education and alternative livelihood programs.

Appendix 4C Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Atlas Pearls Ltd

ABN

32 009 220 053

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,323	14,389
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,775)	(5,576)
(c) advertising and marketing	(33)	(196)
(d) leased assets	-	(204)
(e) staff costs	(1,548)	(7,720)
(f) administration and corporate costs	(268)	(1,247)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	50	87
1.5 Interest and other costs of finance paid	(154)	(365)
1.6 Income taxes paid	(221)	(460)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	374	(1,292)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	(129)
(b) businesses	-	-
(c) property, plant and equipment	(90)	(946)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	1,500	1,500
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	1,410	425

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	250	3,273
3.6 Repayment of borrowings	(2,299)	(2,678)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – Lease Liabilities	(67)	(503)
3.10 Net cash from / (used in) financing activities	(2,116)	92

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	507	1,017
4.2 Net cash from / (used in) operating activities (item 1.9 above)	374	(1,292)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	1,410	425
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(2,116)	92

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	543	476
4.6	Cash and cash equivalents at end of period	718	718

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	618	407
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other – Bank Guarantee	100	100
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	718	507

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(10)

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payment of Directors' Fees

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
- NAB Business Overdraft	1,500	-
- Short term loan	2,004	2,004
- Shareholder Loan	2,500	2,500
7.2 Credit standby arrangements		
7.3 Other – Insurance Funding	-	-
7.4 Total financing facilities	6,004	4,504

7.5 Unused financing facilities available at quarter end 1,500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facilities include;

- Short term loans of;
 - AUD equivalent of JPY130m provided by a commercial partner.
 - AUD \$250k NAB COVID Loan
- Shareholder loan of \$2.5M provided by Boneyard which is repayable in staged repayments by 30th October 2020 at 7.5% interest rate.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	374
8.2 Cash and cash equivalents at quarter end (Item 4.6)	716
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,500
8.4 Total available funding (Item 8.2 + Item 8.3)	2,216
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.9

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: The Board of Atlas Pearls Ltd
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.