

ATLAS PEARLS

ASX RELEASE - 22nd APRIL 2022

MARCH 2022 QUARTERLY UPDATE & APPENDIX 4C

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

Atlas Pearls announces a cash inflow from operations for the quarter of \$426k. This result exceeded the Company's expectations. Factors contributing to the results included the continued expansion of the digital sales platform, a strong international pearl market and the quantity and timing of pearls brought to market.

During the March quarter the Company sold 99,561 pearls that were intended for auctions in the upcoming June quarter to accommodate the Company's market expansion strategy.

The Head Office is managing the risk of COVID-19 business interruptions with working from home structures and clear and consistent hygiene processes. Additionally, all staff have individually elected to be vaccinated in line with government guidelines.

In Indonesia COVID-19 lock-downs are becoming less frequent and commercial flights are becoming more frequent increasing opportunities for delivery of pearls.



JANUARY TO MARCH 2022 QUARTERLY RESULTS

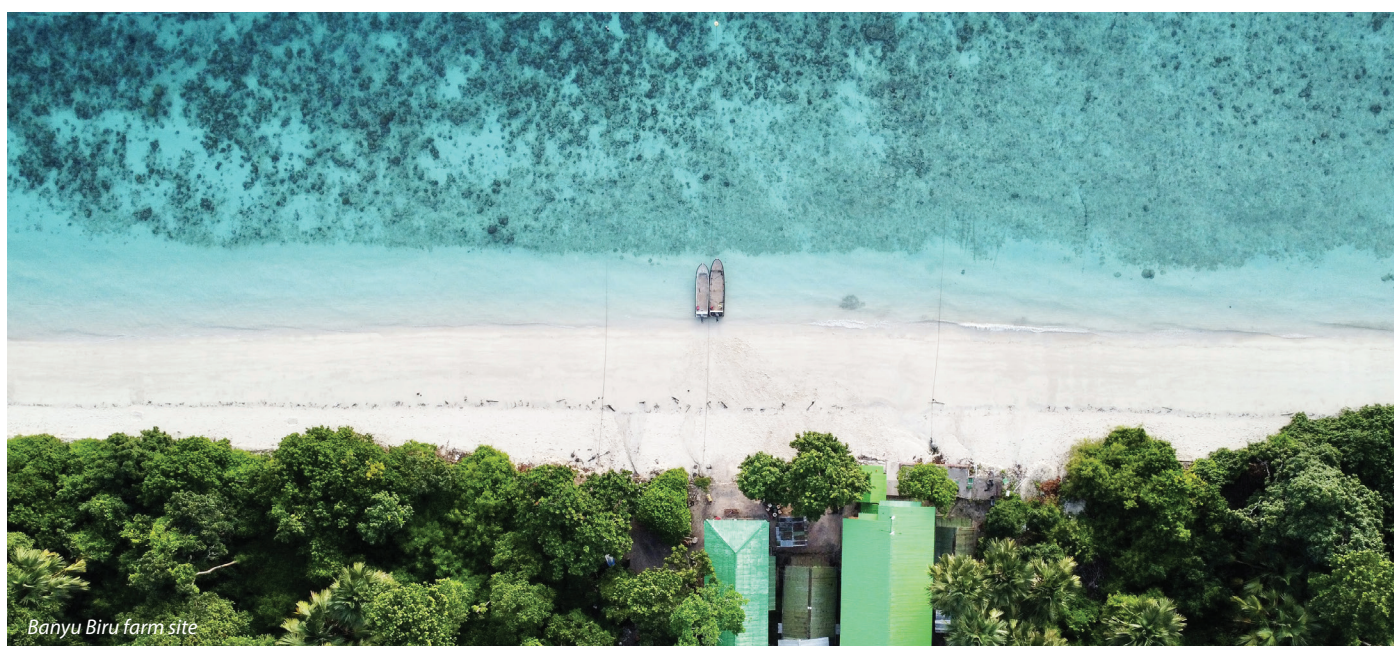
KEY ITEMS TO NOTE FOR THE QUARTER ARE:

- Sales events for the quarter delivered revenue of \$5.0m.
- The Company's harvest schedule remained in line with expectations. The March quarter commenced with loose pearls stocks of 76,023. During the quarter, 167,507 pearls were harvested and 99,561 sold leaving an opening stock position for the commencement of the March quarter of 143,969. These goods are either available for sale, currently being graded or in transit to sales events.
- Pearls harvested during the March quarter showed a quality decline from the first half of the year. The Company is hoping this is an isolated quality issue related to one genetic cohort that was grown out at three farm locations. Investigations are ongoing.
- The Company spent \$3.7m on pearling operations including \$1.4m on product manufacturing and operating costs and \$2.3m on staff costs. Please refer to section 1 of the Appendix 4C.
- The Company's latest sales event featured pearls being presented simultaneously online internationally and physically available for inspection in Kobe 23-24 March.
- The Company presented a stall in Dubai at the Jewellery Trade show 22-24 February.

INVESTOR AND MEDIA INQUIRIES - MR GEOFF NEWMAN, EXECUTIVE CHAIRMAN

PO BOX 248, SUBIACO, PERTH WESTERN AUSTRALIA. **T.** 61 8 9284 4249 **W.** [ATLASPEARLS.COM.AU](https://atlaspearls.com.au) **E.** ATLAS@ATLASPEARLS.COM.AU

- The Company continued the multifaceted distribution channel with the objective of realising the highest possible price. Physical viewing events continued to support the online platform with customers able to see and touch the pearls. The alignment of the online availability and physical inspection of the pearls continue to facilitate confidence in the Company's grading system and online purchasing. Additionally, pearls continue to be considered more intentionally before being placed into a sales channel to ensure the right pearls are being presented to the right customers in the right way.
- The Company has held two physical auctions in Bali where selected categories are realising higher than average prices. The Bali auctions continue to be presented online for international participation.
- Related party payments during the quarter total \$57k which relates to an interest payment and Director fees. Please refer to section 6 of the Appendix 4C.



APRIL TO JUNE 2022 OUTLOOK

KEY ITEMS OF NOTE FOR APRIL TO JUNE 2022 ARE:

- The Company continues to operate on a 24-month growing cycle from seeding to harvest. The Company is expecting to harvest 130,000 pearls in the quarter and sell approximately 155,000 pearls. This reflects the time delay of bringing pearls to market.
- The Company remains focused on operational process improvements to ensure harvest quality is maximised.
- The online platform will continue to be the primary medium for the sale of pearls whilst increasing customer reach.
- Private sales are expected to continue.
- The Company's sales for the June quarter will be offered in a range of avenues including online only auctions, parallel auctions where the goods are made available for inspection at the same time the auction is running, private sales and online offerings.
- Harvest numbers forecast for the June quarter are expected to be approximately 12% lower than the March quarter.
- Pearls remain available online at all times.
- Upcoming events:

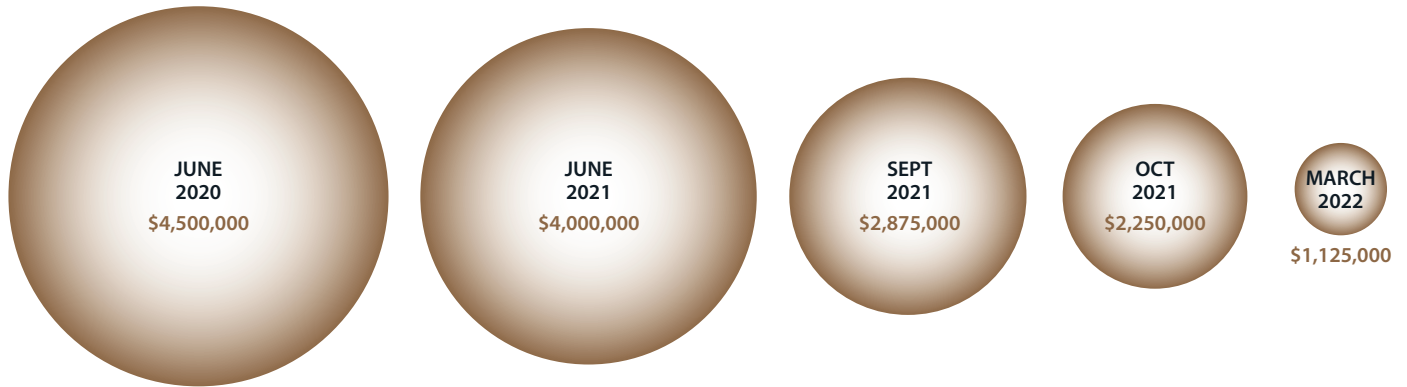
AUCTION	Online Only Auction: Banyu Biru only harvest originally scheduled for end of April 2022 has been canceled as 95% of pearls offered were sold within 48 hours of the pearls being uploaded to the online platform.
AVAILABLE	Category Offering of Fancy Pearls collected over 18 months available from mid-April 2022
AUCTION	Parallel Online and Physical Auction: Sanur, Bali 20 April 2022
AUCTION	Parallel Online and Physical Auction: Kobe, Japan 17 and 18 May 2022
ATTENDANCE	Jewelry Trade Show, Las Vegas, USA 10-13 June 2022
AUCTION	Parallel Online and Physical Auction: Sanur, Bali 21 June

BONEYARD LOAN REPAYMENT

The Company advises that a loan repayment of \$1,125,000 due on 31 March 2022 was repaid in accordance with 3.1(b)(i) of the Varied Loan Agreement.

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

BONEYARD LOAN BALANCE



ABOUT ATLAS PEARLS LTD

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

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



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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

ATLAS PEARLS LIMITED

ABN

32 009 220 053

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,936	17,181
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,384)	(3,693)
(c) advertising and marketing	(145)	(307)
(d) leased assets	(20)	(59)
(e) staff costs	(2,335)	(6,301)
(f) administration and corporate costs	(489)	(1,332)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	10
1.5 Interest and other costs of finance paid	(51)	(193)
1.6 Income taxes paid	(90)	(836)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	426	4,470

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(455)	(1,419)
(b) businesses	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(455)	(1,419)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	556
3.6	Repayment of borrowings	(1,317)	(3,449)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(20)	(59)
	Repayment of Lease Liabilities		
3.10	Net cash from / (used in) financing activities	(1,337)	(2,952)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,155	3,022
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,257	4,470
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,019)	(1,419)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,204)	(2,952)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(265)	(197)
4.6	Cash and cash equivalents at end of quarter	2,924	2,924

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	2,894	4,288
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantee)	30	130
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,924	4,418

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
(57)
-

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

Interest Payment (\$42k)
Director Fees (\$15k)

7. Financing facilities

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.

7.1 Loan facilities

- NAB Business Overdraft
- Short Term Loan
- Shareholder Loan
- NAB COVID-19 SME Loan

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total financing facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
1,500	-
-	-
1,125	1,125
124	124
-	-
56	56
2,805	1,305

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;

- Shareholder loan of \$4.5m, drawn to \$1.125m at 31 March, provided by Boneyard which is repayable by 30 September 2022 at 7.5% fixed interest
- NAB COVID-19 SME Loan payable by 30 June 2023 at 4.5% variable interest
- Insurance financing, drawn to \$56k at 31 March

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	426
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,924
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,500
8.4	Total available funding (Item 8.2 + Item 8.3)	4,424
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

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

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

Answer: n/a

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: n/a

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: n/a

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:22 April 2022.....

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.