



ASX Release
30 April 2020

Atlas Pearls: March 2020 Quarterly Update and Appendix 4C

Atlas Pearls Ltd (ASX: ATP) ("Atlas" or "the Company") today announces an update for the Quarter Ending 31 March 2020.

January to March 2020 Quarterly Results

Key items to note for the quarter are:

- Revenue for the year to date ending 31 March 2020 achieved a result of \$10.1m.
- The Company has felt the effects of the Covid-19 pandemic with the contraction of the international pearl market with major jewellery shows and pearl auctions cancelled globally. An estimated 80% of the world's luxury South Sea Pearls are sold in China, making the industry particularly sensitive to the country's lockdown.
- During the quarter, Atlas successfully delivered a pearl harvest to The Japan Pearl Centre in Kobe which enabled the Company to achieve some sales through March and April 2020.
- Pearl seeding for the quarter exceeded budget by 44% with YTD seedings approximately 17% below budget. The Company expects to meet seeding targets for the full year.
- Related party payments during the quarter are detailed in Section 6 of the attached Appendix 4C.

April to June 2020 Outlook

Key items of note for April to June 2020 are:

- Sales for the month of April stand at \$1.73m. With the number of new COVID-19 cases in Mainland China decreasing over the past few weeks there is hope that demand may pick up again by June.
- Atlas is retaining loose pearl stock to enable the Company to springboard back into sales once the pearl industry recovers.

Funding update

The Company continues negotiations with its lender Boneyard Investments Pty Ltd (Boneyard). Boneyard is an entity associated with Tim Martin, Non-executive Director of Atlas. Details of the loan structure were announced to ASX on 30 January 2017 and varied on 28 June 2017 ("the Varied Loan Agreement").

As part of ongoing negotiations regarding the repayment of \$2.5m due to Boneyard, the Company advises that the repayment of \$500,000 due on 30 April 2020 has been delayed until 29 May 2020. All other terms of the Varied Loan Agreement remain the same.

The Company continues negotiations with Boneyard regarding the remaining loan repayment schedule. 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.

The Company is also involved in the production and transformation of essential oils as well as other plant grown active ingredients extraction and value adding via its Tasmanian based 50% owned subsidiary Essential Oils of Tasmania (EOT).

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")

31 March 2020

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	2,276	10,066
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(679)	(3,802)
	(c) advertising and marketing	(32)	(164)
	(d) leased assets	(58)	(204)
	(e) staff costs	(2,009)	(6,172)
	(f) administration and corporate costs	(328)	(980)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	10	37
1.5	Interest and other costs of finance paid	(84)	(210)
1.6	Income taxes paid	(80)	(240)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(984)	(1,668)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	(129)
	(b) businesses	-	-
	(c) property, plant and equipment	(240)	(856)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(240)	(986)

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	28	3,661
3.6	Repayment of borrowings	(2)	(1,017)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Lease Liabilities	(189)	(436)
3.10	Net cash from / (used in) financing activities	(163)	2,208

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,372	1,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(984)	(1,668)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(240)	(986)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(163)	2,208

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	521	(64)
4.6	Cash and cash equivalents at end of period	507	507

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	407	1,272
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)	507	1,372

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

(59)

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 of \$12k and interest on shareholder loan of \$47k.
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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

7.2 Credit standby arrangements**7.3 Other – Insurance Funding****7.4 Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
1,500	942
3,013	3,013
2,500	2,500
42	42
7,055	6,497

7.5 Unused financing facilities available at quarter end

568

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 loan of AUD equivalent of JPY200M provided by a commercial partner.
- 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)	(984)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	507
8.3	Unused finance facilities available at quarter end (Item 7.5)	586
8.4	Total available funding (Item 8.2 + Item 8.3)	1,064
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.1

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: The closure of international borders, due to COVID-19, has restricted the Company's ability to move and sell pearls. Forecasted net operating cash flows is expected to decrease over the short-term.

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: The Company is in negotiations with all funding providers and will provide an update to the ASX as soon as any transactions are crystallised.

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: The Company is in negotiations with lending partners to re-structure current debt repayments to enable the Company to continue to meet business objectives.

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: 30 April 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.