

ASX Release
30 October 2020

Atlas Pearls: 30 September 2020 Quarterly Update and Appendix 4C

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

July to September 2020 Quarterly Results

Key items to note for the quarter are:

- Sales events for the quarter delivered revenue of \$1.7m which is slightly below expectations,
- During the quarter, the Company proceeded to seek alternative distribution networks as traditional sales channels continued to be challenged due to restrictions in place due to the Global COVID-19 Pandemic,
- Seeded oysters grow-out time has been extended to 24 months across all four grow-out farms to maximise pearl quality and increase size,
- International pearl market conditions continued to be challenged with some reduction in selling prices,
- Seeding of oysters remains in line with expectations.
- During the quarter the Company spent \$3.3m on pearling operations including \$0.8m on product manufacturing and operating costs and \$1.6m 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.

October to December 2020 Outlook

Key items of note for October to December 2020 are:

- Sales events have been fixed for Kobe in October and December 2020 and the Company is hopeful both events will be well attended,
- Atlas will host its first online auction on 3-5 November 2020. The auction is open to any business that registers for the event,
- The Company has successfully hosted several auctions in Indonesia,
- Atlas aims to continue its strategic advantage by promoting pearls "from the source" and ensuring pearls are always in a distribution channel be that at a physical auction, online auction or on the website.

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 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 report for entities subject to Listing Rule 4.7B

Name of entity

ATLAS PEARLS LIMITED

ABN

32 009 220 053

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,660	1,660
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(827)	(827)
(c) advertising and marketing	(48)	(48)
(d) leased assets	(204)	(204)
(e) staff costs	(1,634)	(1,634)
(f) administration and corporate costs	(313)	(313)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(76)	(76)
1.6 Income taxes paid	(236)	(236)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,676)	(1,676)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(21)
(b) businesses	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(21)	(21)

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	3,112	3,112
3.6	Repayment of borrowings	(486)	(486)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Repayment of Lease Liabilities	(95)	(95)
3.10	Net cash from / (used in) financing activities	2,531	2,531

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	718	718
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,676)	(1,676)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(21)	(21)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,531	2,531

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(191)	(191)
4.6	Cash and cash equivalents at end of quarter	1,361	1,361

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	1,261	618
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)	1,361	718

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 Director Fees

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	1,257
1,293	1,293
4,500	4,000
250	250
-	-
325	325
7,868	7,125

7.5 Unused financing facilities available at quarter end

743

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;

- AUD equivalent of JPY 97.5m provided by a Commercial Partner
- Shareholder loan of \$4.5m, drawn down \$4m at 30 September, provided by Boneyard which is repayable in staged repayments by 30 September 2022 at 7.5% fixed interest
- NAB COVID-19 SME Loan payable by 30 June 2023 at 4.5% variable interest
- Other loans are insurance premium funding payable within 12 months

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,676)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,361
8.3	Unused finance facilities available at quarter end (Item 7.5)	743
8.4	Total available funding (Item 8.2 + Item 8.3)	2,104
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(1.3)

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 first quarter of sales are not representative of future sales events. July and August traditionally do not have any avenues for sales, with overseas auctions not starting until October.

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: Atlas has \$500k of its Shareholder loan still available for drawdown. Upcoming sales events are scheduled in Kobe for both October and December which will fund working capital requirements and mitigate the need for further funding.

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: There is an expectation of improved revenue from a combination of larger pearl sizes and improved pearl quality. There are also indications of recovering demand in China (our largest market) with new distribution channels being developed to access the pearl market more directly.

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 October 2020

Authorised by: The Board of Atlas Pearls Ltd

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.