



ASX Release
23 June 2021

Atlas Pearls: Funding and Company Update June 2021

Atlas Pearls Ltd (ASX: ATP) (“Atlas” or “the Company”) today announces an update in relation to the repayment schedule associated with the Company’s loan with Boneyard Investments Pty Ltd (“Boneyard”) as varied and announced to ASX on 27 August 2020 (“the Varied Loan Agreement”). Boneyard is an entity associated with Mr Tim Martin, Non-executive Director of Atlas.

Funding Update

The Company advises that the repayment of \$1,125,000 (being 25% of the outstanding principal as at 30 June 2021), due on 31 March 2021 and deferred until 30 June 2021 in accordance with clause 3.1(b)(i) of the Varied Loan Agreement, has been split with \$500,000 being repaid as scheduled on 30 June 2021 and the remaining \$625,000 further deferred to 30 October 2021.

All other terms and conditions of the Varied Loan Agreement remain unchanged.

A summary of the Varied Loan Agreement and security terms including the initial repayment schedule for the loan is included within the Company’s Notice of Annual General Meeting released to ASX on 25 September 2020.

Strengthening Market Position

The deferral of the loan is a strategic decision to enable the Company to achieve the best prices for the sale of pearls.

The production of pearls is seasonal in nature with the first part of the financial year generally being lower in harvest numbers (and therefore sales) than the last 6 months of the year. In the past, the Company has funded these production and sales low points by accepting pre-payments from selected buyers in exchange for right of first viewing of harvests presented later in the year. Atlas is pleased to advise the practice of accepting pre-payments is no longer part of the Company’s future strategy.

The re-scheduling of the Boneyard loan will permit the Company to time the supply of goods to the market over the next four months in a manner which preserves the value of the existing stock of finished goods without providing pre-emptive rights over goods to be produced in the later months. This is an important change in strategy to capture higher returns in a strengthening market.

Pearl prices are being optimised through the Company’s new multi-faceted distribution network. Pearls are being specifically presented to a distribution channel based on their attributes and where demand for those attributes is strongest.

The delay of the loan repayment to Boneyard will ensure that the Company can utilise this new sales network over the next four months. The most significant upcoming sales event is the scheduled auction in October that will be held physically in Kobe with up to 60 companies in attendance in conjunction with a virtual auction that will allow all customers worldwide to take part. This auction will primarily feature pearls from the Company’s Alor farm although pearls from all farm sites will be available.

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85% increase in Production over past 6 years

The Company has increased production from 296,040 pearls harvested in FY2015 to 546,538 pearls harvested in FY2021. This 85% increase in production over the past 6 years has been achieved whilst maintaining a relatively stable cost base.

25% increase in sales indication

Revenue in 2021 is expected to increase by 25% over FY20. Key changes contributing to this growth included:

- i) increasing the cultivation time to 24-months to maximise pearl size and quality, and
- ii) implementing new sales distribution channels for pearls with different attributes to achieve higher prices, and
- iii) increased unit sales flowing from a recovery in markets for pearls generally.

The Company is completing the end of financial year audit and report for release to the market at the end of August.

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

Investor & 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.