

ATLAS

P E A R L S

ASX Release
29 July 2021

Atlas Pearls: June 2021 Quarterly Update and Appendix 4C

Atlas Pearls Ltd (ASX: ATP) ("Atlas" or "the Company") today announces an update for the Quarter Ending June 2021.

Atlas Pearls is pleased to announce a positive cashflow from operations for the quarter of \$4.3m. This signifies a positive outcome for Atlas and is the result of a range of strategic changes all coming together.

Strategic changes include;

- i) the introduction of the optimal 24-month cultivation period of the pearls,
- ii) an increase in the harvest quality due to process improvements at the operations level, in particular process improvements have been made at the time of seeding, and
- iii) the establishment of a multifaced distribution network to diversify the customer base and increase pricing tension.

During the year, Atlas faced many obstacles from COVID-19 which impacted almost every aspect of operations. As a result of this uncertainty all parts of the Company had to be nimble and flexible to find alternative solutions to operate the business under constantly changing circumstances.

The Directors would like to acknowledge the commitment of the employees during this unprecedented time.

The Company aims to publish year end results by the end of August in line with the ASX reporting deadline.

April to June 2021 Quarterly Results

Key items to note for the quarter are:

- Sales events for the quarter delivered revenue of \$8.3m.
- This quarter, the Company successfully hosted a physical auction in Kobe, Japan in parallel with an online auction and was pleased with how well this was received by Customers.
- The Company's harvest schedule remained in line with expectations. During the quarter, 160,725 pearls were harvested bringing total pearls harvested for the financial year to 562,873.
- The Company spent \$4.0m on pearling operations including \$0.9m on product manufacturing and operating costs and \$2.2m on staff costs. Please refer to section 1 of the Appendix 4C.
- Related party payments during the quarter total \$97k which relates to the payment of Interest and Director Fees. Please refer to section 6 of the Appendix 4C.

July to September 2021 Outlook

Key items of note for July to September 2021 are:

- A 24-month harvest schedule will continue to be supported. The Company is expecting to harvest 240,000 pearls in the quarter but only sell 50,000 pearls. This reflects the time delay of bringing the harvests to market.
- The Company will remain focused on operational process improvements to ensure harvest quality is maximised and on the diversification into different distribution networks.
- The online platform will continue to support the sale of pearls in a transparent and timely way as they become available.
- Private sales will continue to maintain client relationships.
- The Company's latest harvest from Alor is currently available online.
- The next online sales events are;
 - Matched Goods auction mid August 2021, and
 - Online auction 14-15 September 2021.

The Company will provide more detail as information becomes available.

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

Investor & Media Queries:

Geoff Newman

Executive Chairman

Telephone: +61 8 9284 4249

Email: atlas@atlaspearls.com.au

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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 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 June 2021

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	8,345	18,197
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(937)	(4,447)
(c) advertising and marketing	(99)	(258)
(d) leased assets	(134)	(338)
(e) staff costs	(2,213)	(6,944)
(f) administration and corporate costs	(502)	(1,502)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(100)	(409)
1.6 Income taxes paid	(25)	(461)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	4,335	3,840

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(419)	(1,252)
(b) businesses	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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) 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	(419)	(1,252)

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	-	3,664
3.6	Repayment of borrowings	(2,089)	(3,870)
3.7	Transaction costs related to loans and borrowings	-	(66)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(71)	(338)
	Repayment of Lease Liabilities		
3.10	Net cash from / (used in) financing activities	(2,160)	(610)

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	983	718
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,335	3,840
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(419)	(1,252)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,160)	(610)

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	283	326
4.6	Cash and cash equivalents at end of quarter	3,022	3,022

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	2,892	853
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantee)	130	130
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,022	983

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**

(97)

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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 (\$84k)
Director Fees (\$13k)

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	-
-	-
4,000	4,000
197	197
-	-
-	-
5,697	4,197

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 \$4m at 30 June, 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

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	4,335
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,022
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)	4,522
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: 29 July 2021

Authorised by: The Board of Atlas Pearls Limited

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.