ATLAS PEARLS

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ASX RELEASE - 28th JANUARY 2022

DECEMBER QUARTERLY UPDATE & APPENDIX 4C

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

Atlas Pearls announces a cash inflow from operations for the quarter of $5.0m. This result exceeded the Company's expectations. The result is due to a variety of factors including the introduction of a digital platform, a strengthening international pearl market and a large number of pearls brought to market.

During the December quarter the Company sold pearls that were prepared for auctions in the September quarter which is in line with the seasonal nature of pearling.

The Perth Head Office is managing the risk of COVID-19 business interruptions with split shifts and clear and consistent hygiene processes. Additionally, all Australian based staff have individually elected to be vaccinated in line with government guidelines.

In Indonesia COVID-19 lock-downs are becoming less frequent and while commercial flights are still limited, their frequency is increasing providing increased opportunities for delivery of pearls to around the world.

OCTOBER TO DECEMBER 2021 QUARTERLY RESULTS

KEY ITEMS TO NOTE FOR THE QUARTER ARE :

- Sales events for the quarter delivered revenue of $9.0m.
- The Company's harvest schedule remained in line with expectations. The December quarter commenced with loose pearls stocks of 150,317. During the quarter, 173,790 pearls were harvested and 252,181 sold leaving an opening stock position for the commencement of the March quarter of 71,926. These goods are either available for sale, currently being graded or in transit to sales events.
- The Company spent $3.4m on pearling operations including $0.6m on product manufacturing and operating costs and $2.1m 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 Hong Kong from 21-22 December.
- The Company has completed a parallel online and inspection event in Kobe in October and one in Hong Kong in December. This structure delivers on the Company's strategy to engage a multifaceted distribution channel with the objective of realising the highest possible price. The physical viewing events support the new online channel with customers able to see and touch the pearls and facilitate confidence in the Company's grading system and online purchasing.
- The Company has held a number of physical auctions in Bali where selected categories are realising higher than average prices. The most recent two Bali auctions have also been presented online to international customers.
- Related party payments during the quarter total $64k which relates to an interest payment and Director fees. Please refer to section 6 of the Appendix 4C.

INVESTOR AND MEDIA INQUIRIES - MR GEOFF NEWMAN, EXECUTIVE CHAIRMAN
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JANUARY TO MARCH 2022 OUTLOOK

KEY ITEMS OF NOTE FOR JANUARY TO MARCH 2022 ARE :

- The Company continues to operate on a 24-month growing cycle from seeding to harvest. The Company is expecting to harvest 160,000 pearls in the quarter and sell approximately 75,000 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 March 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 and private sales.
- Harvest numbers forecast for the March quarter are expected to be approximately 10% lower than the December quarter.
- Pearls remain available online at all times.
- The next scheduled sales events are :

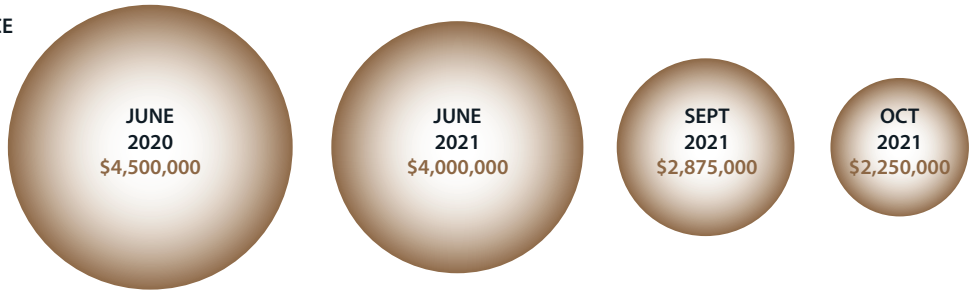
  AUCTION: Parallel Online and Physical Auction: Kobe, Japan - February 2022

  AUCTION: Parallel Online and Physical Auction: Sanur, Bali – February 2022

BONEYARD LOAN REPAYMENT

The Boneyard loan balance at December 2021 is $2,250,000 and the next loan repayment is $1,125,000 scheduled for 31 March 2022.

BONEYARD LOAN BALANCE



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

OPERATIONAL LOCATIONS

1) BANYU BIRU
2) NORTH BALI
3) PUNGU
4) LEMBATA
5) WEST LEMBATA
6) ALOR
7) ALYUI

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	**Quarter ended ("current quarter")**
32 009 220 053	31 December 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	8,969	12,245
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(625)	(2,214)
	(c) advertising and marketing	(82)	(162)
	(d) leased assets	(19)	(39)
	(e) staff costs	(2,102)	(3,966)
	(f) administration and corporate costs	(568)	(843)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	6
1.5	Interest and other costs of finance paid	(59)	(142)
1.6	Income taxes paid	(490)	(644)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**5,028**	**4,241**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(564)	(964)
	(b) businesses	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-

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Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 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**	**(564)**	**(964)**

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	-	588
3.6	Repayment of borrowings	(848)	(2,164)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) Repayment of Lease Liabilities	(19)	(39)
3.10	**Net cash from / (used in) financing activities**	**(867)**	**(1,615)**

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)	5,028	4,241
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(564)	(964)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(867)	(1,615)

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	(334)	(266)
4.6	**Cash and cash equivalents at end of quarter**	**4,418**	**4,418**

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	4,288	1,025
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)**	**4,418**	**1,155**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(64)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 ($46.5k)
Director Fees ($17.5k)

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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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
	- NAB Business Overdraft	1,500	-
	- Short Term Loan	-	-
	- Shareholder Loan	2,250	2,250
	- NAB COVID-19 SME Loan	148	148
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	222	222
7.4	**Total financing facilities**	**4,120**	**2,620**

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 $2.25m at 31 December, 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
- Insurance financing, drawn to $0.2m at 31 December

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	5,028
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,418
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)	5,918
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

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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: .....28 January 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.