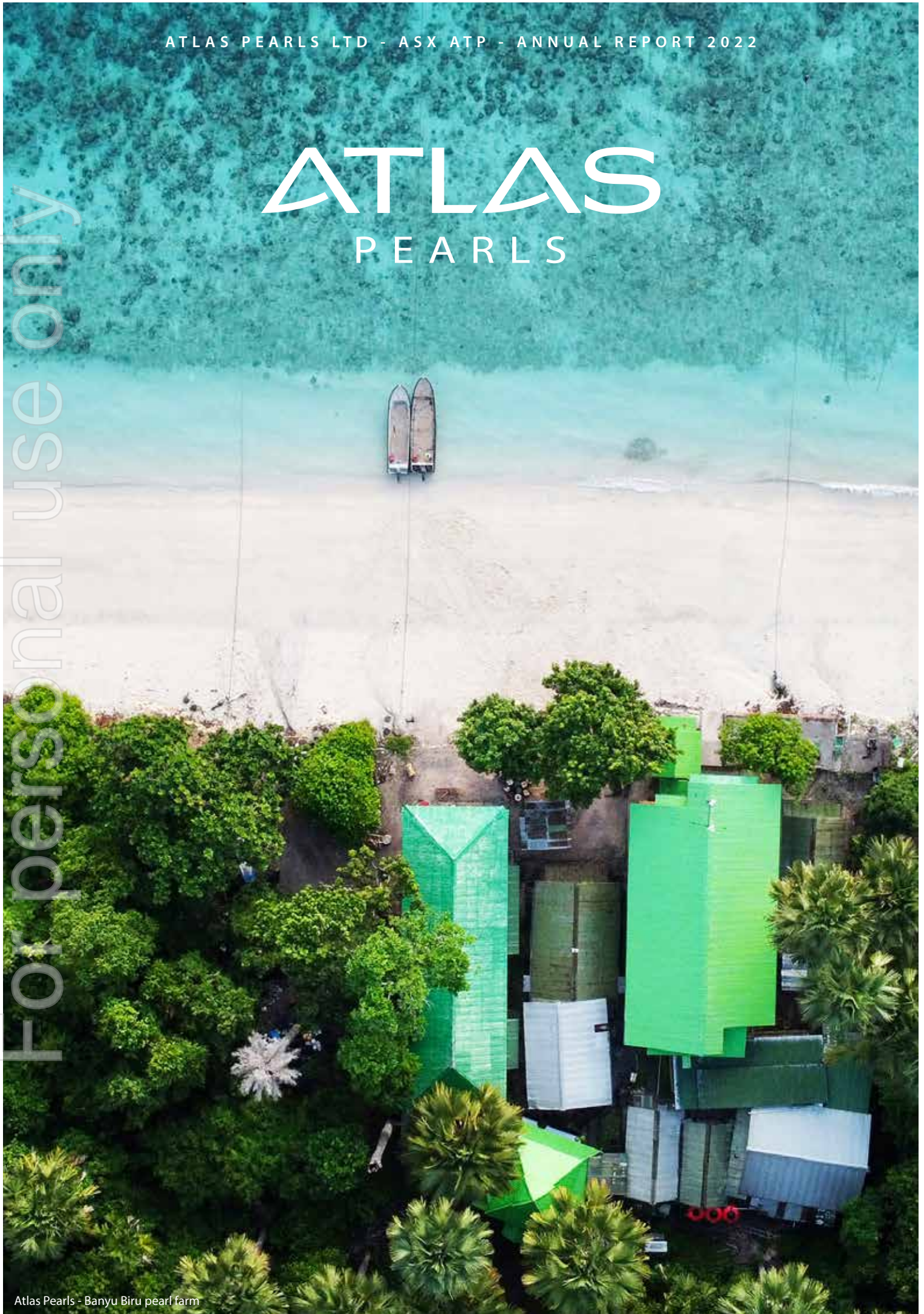


# ATLAS PEARLS

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Producing the world's finest South Sea pearls  
sustainably and respectfully whilst caring for our  
environment, people, communities and shareholders.

**ATLAS**  
PEARLS

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# CHAIRMAN ADDRESS

Dear Fellow Shareholders, on behalf of the Board of Directors of Atlas Pearls Limited I am pleased to present to you the Company's 2022 Annual Report.

For the first time in the Company's history revenue exceeded \$20m and the share price increased by 140% from 1.5 cents to 3.6 cents at 30 June 2022. Operationally, it was a record production year with the number of pearls harvested exceeding 629,000.

Additionally, debt reduced from \$4.2m to \$1.125m with the balance of the shareholder loan scheduled for full repayment in September 2022. Pleasingly there is no material uncertainty of going concern in this year's accounts.

Atlas' performance over the year is largely attributable to the introduction of the multi-faceted distribution strategy combined with strong international demand for pearls.

Atlas remains focused on a multi-channel sales strategy and has embraced all distribution channels including the newly developed online technology platform. Pearls continue to be available for purchase online, which has increased customer reach and created competitive tension, as products are opened to new markets and customers.

The quality of goods produced in the second half of the year was below that in the first half and this is thought to be related to genetic issues of a cohort of shell that should all be harvested by the end of Q1 FY22/23.

Over the year, progress has been made with several important initiatives aimed at achieving consistency in pearl quality and improving operating efficiency and productivity. These include:

- Scoping a genetics programme to introduce advanced sequencing and tagging techniques to greatly increase the functional population size of broodstock and assess crosses on an individual basis. This is a long-term project that will set the business up for the improvement in our pearl genetics understanding and improvement and will see benefits over the period of five to ten years,
- Identifying new techniques for better gamete conditioning at spawning,
- Renewing the power fleet for work vessels and moving toward a cyclical replacement / preventative maintenance fleet management policy,
- Implementation of trials aimed at shortening both time-to-seeding cycles and grow-out post seeding to release working capital from the business,
- Market development initiatives aimed at increasing sales beyond the now well-established Asian markets of China and Japan.

This is my last report as Executive Chair and I would like to acknowledge the unwavering support of my fellow Directors during the challenging COVID years and the subsequent reinvention of the sales and distribution strategy.

I also want to separately acknowledge the hard work and dedication from our committed management team that executed the strategy and managed change during very uncertain times. I am extremely proud of what our team has achieved over the last two years and I am confident that their commitment and dedication will continue under the leadership of Michael Ricci who has joined us in the role of Chief Executive Officer. Mr. Ricci brings with him extensive experience and is excited by the opportunities that the Company presents.

Finally, I would like to thank the Company's loyal and dedicated shareholders, employees, customers and stakeholders for their continued support and commitment during the year. We remain focused on the production and distribution of the highest quality, safely and sustainably produced, luxurious pearls in the world.



Geoff Newman  
Chairman



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# ABOUT ATLAS PEARLS

Over the past 29 years, Atlas Pearls has become one of the world's largest producers and distributors of the highly sought-after, white & silver South Sea pearls. Operating across 7 farming locations throughout the South Seas the Company employs more than 1,000 people & in 2022 harvested more than 629,000 pearls.

Atlas Pearls commenced farming in 1993 with its first farm located in Kupang - East Nusa Tenggara and has since gone on to establish a total of 7 farming sites. These locations stretch from the national parks of East Java and as far east as Alyui Bay, Raja Ampat.

Atlas Pearls operates on the fundamental principles of producing the most valued South Sea pearls through ethical, sustainable, and non-extractive processes whereby each pearl is certified from the source.

Through rigorous breeding programs the company is able to maintain a supply of healthy, genetically managed oyster stocks which can then be transported to different farm sites where they grow into healthy mature oysters ready for pearl production.

The movement of oysters between farm sites also enables stock to be positioned in the best possible conditions for their growth and diversifies the risk of environmental risk factors such as algae and water temperature changes.

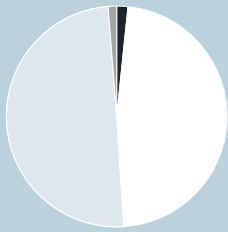
With oysters thriving in pristine waters each farm site works tirelessly with staff and the local community to continuously improve and maintain the health of the oceans in which we operate. Through education and active participation in a range of environmental programs, benefits to both the pearls and local communities are observed.

Working across such great distance relies heavily on the support of our experienced workforce of more than 1,000 people. Each farming operation requires a dedicated team who work directly with the oysters from seeding, cleaning, maintaining, and harvesting alongside operational staff who perform the roles of security, maintenance, engineering, catering and administration. For many these remote farm sites provide invaluable employment and training.

South Sea pearl farming is a delicate balance of nature and nurture as the company continues to strive to supply the best quality pearls to the market whilst leaving a positive environmental footprint.

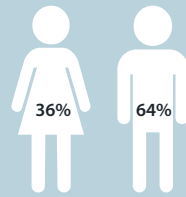


# FINANCIAL REPORT HIGHLIGHTS 2022



The Company currently employs **1,044** staff across 2 offices and 7 pearl farms.

- Expatriates - Indonesia
- Australia
- Indonesian Nationals (permanent)
- Indonesian Nationals (part time)



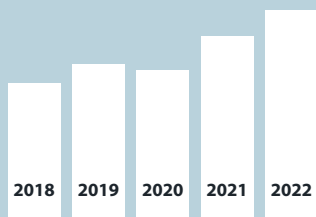
The current gender breakdown across the Company's personnel is 36% Female and 64% Male.



15  
⧗

Number of online sales events held in 2021/22 financial year.

More than **629,000** pearls were harvested in 2021/22.



Pearl production has increased by 57% from 410,411 in 2018 to **629,726** in 2022.

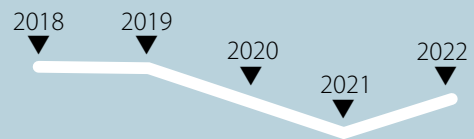
⧗ 29%

The Company currently has a combined total of **3,009,778** juvenile, mature and nucleated oysters, an increase of 29% since 2018.

Nucleated oyster stocks have increased 14% from 1,146,707 in 2018 to **1,310,434** in 2022



Atlas' shift to a more diversified distribution channel has seen an overall change in customer geographical regions as the Company utilises new platforms to reach new markets.



⧗ 9%

Operating expenses have reduced from \$6.3M in 2018 to \$5.7M in 2022, an overall reduction of 9%.

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## SUMMARY OF FISCAL INDICATORS

	30 JUNE 22 \$'000	30 JUNE 21 \$'000
Revenue from contracts with customers	<b>21,508</b>	18,281
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	<b>4,254</b>	5,628
EBITDA margin	<b>19.78%</b>	30.79%
Depreciation and amortisation	<b>(312)</b>	(473)
Foreign exchange (losses)	<b>(612)</b>	(445)
Revaluation and write-off of agriculture assets (oysters and pearls) gains	<b>2,336</b>	3,989
Earnings before interest and tax (EBIT)	<b>5,666</b>	8,519
EBIT margin	<b>26.34%</b>	46.60%
Interest net (costs)	<b>(238)</b>	(444)
Tax income/(expense)	<b>(836)</b>	(1,356)
Net profit/(loss) after tax (NPAT)	<b>4,592</b>	6,720
Basic earnings per share (cents)	<b>1.08</b>	1.58
Net tangible assets (NTA)	<b>24,356</b>	18,337
Assets	<b>31,516</b>	28,052
Debt (current & non-current)	<b>1,125</b>	4,199
Shareholder funds	<b>24,375</b>	18,425
Debt/shareholder funds (%)	<b>4.62%</b>	22.79%
Number of shares on issue (million)	<b>427.9</b>	427.9

# DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Atlas Pearls Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2022. Referred to hereafter as, the Company, Atlas Pearls, or the Group.

## 1. Directors

The following were Directors of Atlas Pearls for all of the financial year and up to the date of this report.

**GEOFF NEWMAN** | B. Ec. (Hons), M.B.A, F.C.PA ,F.A.I.C.D. | **CHAIRMAN**

Geoff Newman has more than 30 years' experience in finance, marketing, and general management roles within the resources sector.

In 1995, after managing Bunnings Pulpwood operations, he joined Coogee Chemicals Pty Ltd as Commercial Manager and was appointed to the Board as Finance Director the following year.

Until August 2005 Geoff was Finance Director/Chief Financial Officer and Company Secretary of both Coogee Chemicals Pty Ltd and its oil and gas subsidiary Coogee Resources Pty Ltd before retiring from the Coogee Group in June 2006.

### APPOINTMENTS:

CHAIRMAN - 12/07/2022

EXECUTIVE CHAIRMAN - 01/10/2019

CHAIRMAN - 16/02/2015

DIRECTOR - 15/10/2010

*Directorships of other listed companies held in the last three years: Nil.*

**CADELL BUSS** | M.B.A, M.P.M, G.A.I.C.D. | **INDEPENDENT NON-EXECUTIVE DIRECTOR**

Cadell is a multi-industry senior executive with over 20 years' experience locally and internationally in marketing, project development and equity capital markets.

Cadell was the CEO of Western Australia's longest serving stockbroking firm DJ Carmichael and has consulted to a number of ASX listed companies with African based assets. Cadell was previously Project and Finance Director with Luso Global Mining, an Angel investor to mining and exploration companies.

**APPOINTMENTS:** DIRECTOR - 01/02/2018

*Directorships of other listed companies held in the last three years: Nil*

**TIMOTHY MARTIN** | B.A., M.B.A, G.A.I.C.D. | **NON-EXECUTIVE DIRECTOR**

Tim Martin has been an Executive Manager at Coogee Chemicals Pty Ltd since 2005, held the position of Managing Director from 2012 - 2015 and was appointed Executive Chairman in July 2015.

Prior to working at Coogee Tim worked in management roles within the packaged food manufacturing sector - supplying to national supermarket chains and has ongoing interests in commercial property development.

In 2013 Tim graduated from Harvard University completing their OPM (Owner/President Management) Program.

Tim is a former Director of PACIA and a former Director of the Kwinana Industries Council.

**APPOINTMENTS:** DIRECTOR - 04/02/2013

*Directorships of other listed companies held in the last three years: Nil.*

## 2. *Company Secretary*

The Company Secretary for the financial year was Ms. Susan Park.

**SUSAN PARK** | B Com, ACA, F fin, G.A.I.C.D, AGIA | **COMPANY SECRETARY**

Ms. Susan Park has over 25 years' experience in the corporate finance industry. She is founder and Managing Director of consulting firm Park Advisory which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies and has held Senior Executive roles at Ernst & Young and PricewaterhouseCoopers in the Corporate Finance divisions and at Bankwest in the Strategy and Ventures division. Susan holds a Bachelor of Commerce, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Governance Institute of Australia.

**APPOINTMENTS:** COMPANY SECRETARY - 19/12/2012

## 3. *Principal Activities*

### 3.1 **PRINCIPAL ACTIVITIES**

Atlas Pearls produces South Sea pearls, with pearling operations located throughout Indonesia (refer 3.2). Pearls produced are sold through a multi-faceted distribution network. No significant changes in the nature of Atlas' principal activities occurred during the year ended 30 June 2022.

### 3.2 **ABOUT ATLAS**

Over the past 29 years Atlas Pearls, an ASX listed company, has become one of the world's largest producers of the highly sought after white and silver South Sea pearls. Operating across seven farming locations throughout the South Seas and employing more than 1,000 people, the Company harvested more than 629,000 pearls this year.



## 4. *Directors' Meetings*

The attendance at meetings of the Company's Directors including meetings of committees of Directors is shown below:

DIRECTOR	PERIOD	DIRECTORS' MEETINGS	
		MEETINGS HELD WHILST IN OFFICE	ATTENDED
G. Newman	01 July 21 - 30 June 22	7	7
T. Martin	01 July 21 - 30 June 22	7	7
C. Buss	01 July 21 - 30 June 22	7	7

## 5. Financial Review

### 5.1 SHAREHOLDER RETURNS

	30 JUNE 2022 \$'000	30 JUNE 2021 \$'000	30 JUNE 2020 \$'000
Net profit / (loss) after tax	4,592	6,720	(8,077)
Basic EPS (cents)	1.08	1.58	(1.90)
Dividends paid	Nil	Nil	Nil
Dividends (per share) (cents)	Nil	Nil	Nil

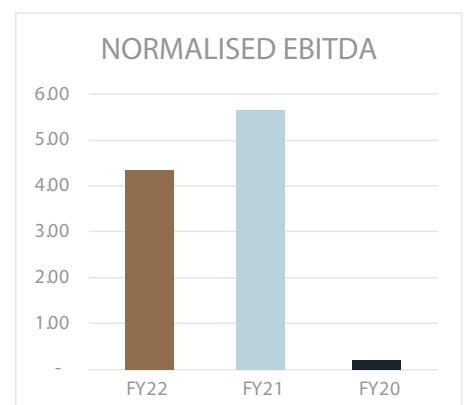
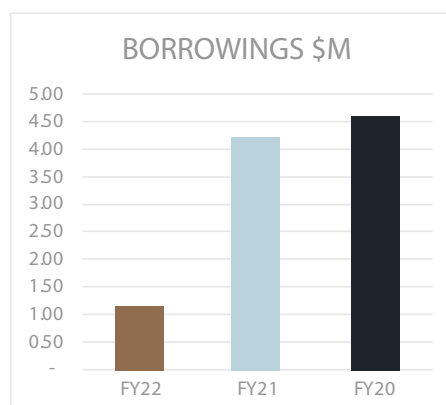
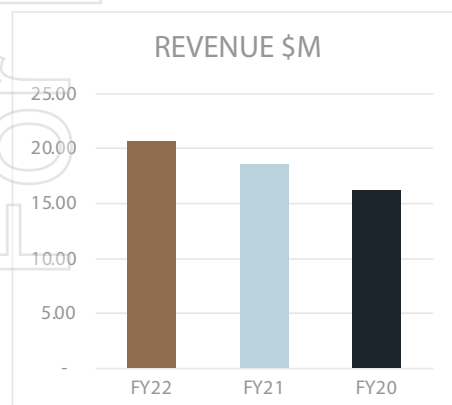
The adjustments from NPAT to arrive at reported Normalised EBITDA for these periods are shown below:

	30 JUNE 2022 \$'000	30 JUNE 2021 \$'000	30 JUNE 2020 \$'000
Net profit/(loss) after tax	4,592	6,720	(8,077)
Tax (benefit)/expense	836	1,356	1,102
Interest net costs	238	444	320
Depreciation & amortisation	312	473	626
Foreign exchange (gain)/loss	612	445	(457)
Agriculture standard revaluation (gain)/loss	(2,336)	(3,989)	6,704
Other non-operating (income)/expense	-	180	(60)
Derivative instrument (gain)/loss	-	-	20
Normalised EBITDA	4,254	5,628	178

### 5.2 FINANCIAL POSITION

	30 JUNE 2022 \$'000	30 JUNE 2021 \$'000	30 JUNE 2020 \$'000
Total assets	31,516	28,052	22,300
Debt (current & non-current)	(1,125)	(4,199)	(4,583)
Other liabilities	(6,016)	(5,428)	(4,076)
Shareholder funds / net assets	24,375	18,425	13,642
Debt / shareholder funds	5%	23%	34%
Number of shares on issue (million)	427.9	427.9	427.9
Net tangible assets per share (cents)	5.7	4.3	3.1
Share price at reporting date (cents)	3.6	1.5	0.5

There has been an increase in the net assets of the Group of \$6M in the year ended 30 June 2022 (30 June 2021: \$4.8M increase).



**5.2.1 OPERATING RESULTS**

The Company is pleased to announce a profit before tax of \$5.4M and a reported inflow of cash from operating activities for the year ended 30 June 2022 of \$5M.

Atlas continued evolving its sales distribution plan, learning from each sales event and enhancing the current strategy to meet its customer’s needs and ensuring each pearl is reaching its potential.

At operations level, the farms continue to work assiduously to ensure oyster health is optimised. The passion and dedication shown by all employees translates to beautiful, coveted, south sea pearls.

The operating revenue for the year ended 30 June 2022 was \$21.5M, an increase of \$3.2M on prior year (30 June 2021: \$18.3M). Administration, finance and marketing expenses were \$5.7M, an increase of \$0.5M on prior year (30 June 2021: \$5.2M).

**5.2.2 REVIEW OF OPERATIONS**

**5.2.2.1 PEARLING**

The Company harvested more than 629,000 pearls this financial year, its largest ever harvest year. This is a testament to the commitment of Atlas’ employees. Harvests were in line with expectations, however, pearls harvested in H2 showed a decline in quality from those pearls harvested during H1 FY2022. The Company expects this trend to continue to the end of August as these pearls relate to a particular family cohort that will work its way through the production cycle over the next month.

**5.2.2.2 PEARLING VALUE ADDED**

During the year, COVID-19 restrictions eased and travel, although not easy, was possible. This enabled the Company to host parallel auctions and attend jewellery fairs in Dubai and Las Vegas.

Atlas intends to continue hosting parallel auctions to support its online platform. Customer interaction and feedback is vital in creating and maintaining trust in our grading system to facilitate online purchases.

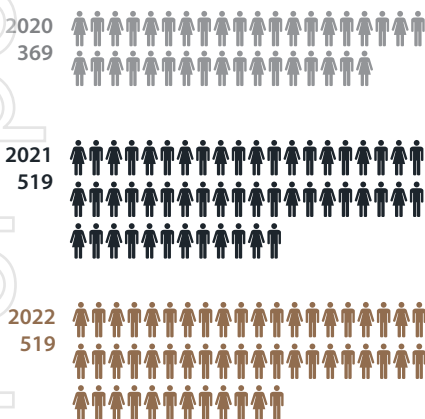
**5.2.3 AUDIT OPINION**

The financial report has been audited independently and received an unmodified opinion. Refer to page 23 for the Independent Auditors Report and page 63 onwards for the Auditors Opinion.

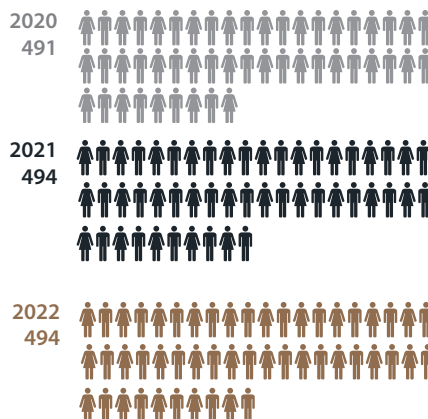
**5.2.4 PERSONNEL**

Staff numbers at the end of the year were as follows:

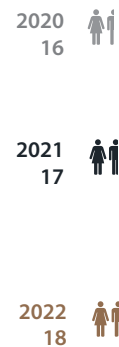
**INDONESIAN NATIONALS PART TIME**



**INDONESIAN NATIONALS PERMANENT**



**EXPATRIATES INDONESIA**



**AUSTRALIA**



## 6. *Dividends*

No dividends were declared and paid by the Company during the year ended 30 June 2022 (30 June 2021: nil).

## 7. *Events since the end of the Financial Year*

There have been no significant events after balance date which require disclosure.

## 8. *Likely Developments and Expected Results of Operations*

The Company endeavours to host oysters in optimal growing locations whilst creating diversification for risk mitigation.

The Company remains committed to the multi-faceted approach to the distribution of the pearls, with the plan to continue increasing the customer reach over the FY23 year.

## 9. *Directors' Interests*

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report, are detailed in Section 14.5.3 of the Remuneration Report.

## 10. *Options*

During the year ended 30 June 2022 18,758,055 unquoted options were issued to certain employees, pursuant to the Atlas Pearls Ltd Employee Share and Incentive Plan subject to the following vesting conditions;

- Vesting dates - tranche one vested on 30 June 2022 for an exercise price of \$0.065, tranche two vests 30 June 2023 with an exercise price of \$0.070 and tranche three will vest 30 June 2024 with an exercise price of \$0.075.
- The employee remains engaged as an employee at the date of the prescribed vesting dates listed above.

Refer to note 24.2 for further information.

## 11. *Indemnification and Insurance of Directors and Officers*

### 11.1 INDEMNIFICATION

The Company has agreed to indemnify the following current Directors and officers of the Company; Mr G Newman, Mr T Martin, Mr C Buss, Mr M Ricci, Ms D Kubicki and all former Directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company, except where the liability arises out of conduct which involves negligence, default, breach of duty or a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

### 11.2 INSURANCE PREMIUMS

During the financial year the Company has paid insurance premiums of \$27,750 (30 June 2021: \$22,200) in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

## 12. *Audit and Non-Audit Services*

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services provided during the period are set out below.

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with general standards of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor independence requirements of the *Corporations Act 2001*. The nature of the service provided do not compromise the general principles relating to auditor independence because they relate to tax advice in relation to compliance issues and review of the tax provisions prepared by the Company. None of the services undermine the general principles relating to auditor independence as set out in (*APES 110 Code of Ethics for Professional Accountants*).

The following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms during the year ended 30 June:

	30 JUNE 2022 \$	30 JUNE 2021 \$
<b>AUDIT SERVICES</b>		
<b>BDO AUSTRALIAN FIRM</b>		
Audit and review of financial reports	96,370	88,940
<b>BDO INDONESIAN FIRM</b>		
Audit and review of financial reports	52,562	41,411
Total remuneration for audit services	148,932	130,351
Other Services	-	3,954
Independent experts report	-	19,673
Total remuneration for other services	-	23,627

### 13. *Proceedings on Behalf of the Company*

No person has applied under section 237 of the *Corporations Act 2001* for leave of court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company has not been a party to any proceedings during the year.

### 14. *Remuneration Report (Audited)*

The Directors are pleased to present your Company's 2022 remuneration report which sets out remuneration information for Atlas Pearls Non-Executive Directors, Executive Directors, and other Key Management Personnel. The information provided in this Remuneration Report has been audited as required by section 308(c) of the *Corporations Act 2001*.

NAME	POSITION
<i>Non-Executive and Executive Directors</i>	
G. Newman	Non-Executive Chairman appointed to 1 October 2019 Executive Chairman, appointed to 13 July 2022 Non-Executive Chairman, appointed 13 July 2022
T. Martin	Non-Executive Director
C. Buss	Independent Non-Executive Director
<i>Other Key Management Personnel</i>	
M. Longhurst	Chief Operations Officer, PT Cendana Indopearl
M. Ricci	Chief Executive Officer, appointed 13 June 2022
D. Kubicki	Chief Financial Officer

#### 14.1 REMUNERATION GOVERNANCE

##### 14.1.1 ROLE OF THE BOARD IN REMUNERATION GOVERNANCE

Remuneration governance is the responsibility of the full the Board. Primary responsibilities include recommendations for;

- Non-Executive Director fees,
- Remuneration levels of Executive Directors and other Key Management Personnel,
- The overarching Executive remuneration framework and the operation of incentive plans, and
- Key performance indicators ("KPI's") and performance hurdles for the Executive team.

The objective is to ensure that Remuneration policies and structures are fair and competitive and aligned with the long term interest of the Company.

##### *Assessing performance and claw-back remuneration*

The Board is responsible for assessing performance against KPIs and determining the short-term incentives ("STI") and long-term incentives ("LTI") to be paid. To assist in this assessment, the Board receives detailed reports on performance from management which are based on independently verifiably data such as financial measures, market share and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may cancel or defer performance based remuneration and may also claw back performance-based remuneration paid in previous financial years.



#### 14.1.2 NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees are reviewed annually by the Board. Consideration is given to the remuneration of comparable companies when setting fee levels.

The Non-Executive Directors' aggregate annual remuneration may not exceed \$500,000 (30 June 2021: \$350,000) which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Extraordinary General Meeting on 29 April 2022. In the year ending 30 June 2022, the total Non-Executive Directors' fees including retirement benefit contributions were \$122,578 (30 June 2021: \$95,109).

The following fees have applied:

- Base fees for Non-Executive Directors are \$65,000 per annum (30 June 2021: \$50,000).
- In response to the Global Pandemic, COVID-19, the Company reduced Director fees by 20% for the period 1 April 2020 to 30 June 2020 and 10% for the period 1 July 2020 to 31 December 2020.
- In December 2021, Atlas Pearls repaid all remuneration reductions from the period 1 April 2020 through to 31 December 2020.

#### 14.1.3 EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

In determining Executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company to attract and retain key talent
- Aligned to the Company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders.

Executive remuneration framework has three components;

- Base pay and benefits
- Short-term performance incentives (refer section 14.3 for individual detail), and
- Long-term incentives through participation in the Atlas South Sea Pearl Limited Employee Share Plan and Employee Option Plan.

Employment contracts are in place between the Company (or its subsidiaries) and all Key Management Personnel. Under these contracts, Key Management Personnel are paid a base salary (which may be provided in the form of cash or non-financial benefits) in accordance with their skills and experience, as well as entitlements including superannuation and accrued annual leave and long service leave.

Executive salaries are reviewed annually and are adjusted to take into consideration the individuals' responsibilities and skills compared to others within the Company and the industry. There are no guaranteed base pay increases in any of the Executives' contracts.

There were no short or medium-term cash incentives provided to any Executives of the Company during the last financial year except where noted in section 14.2 of this report. Short or medium-term cash incentives are incorporated into some executives salary packages as part of the salaried employee Bonus Scheme, at the time of this report. The framework provides a mix of fixed and variable pay through a combination of qualitative and quantitative measures. Payment of the scheme is at the Boards discretion.

An Employee Share and Incentive Plan (ESOP) provides some Senior Executives with incentive over and above their base salary (refer section 14.2). The allocation of shares under the Employee Share Plan (ESOP) is not subject to performance conditions of the Company. The reasons for establishing the ESOP were:

- To align the interests of Senior Executives with shareholders. The ESOP provides employees with incentive to strive for long-term profitability which is in line with shareholder objectives; and
- To provide an incentive for employees to extend their employment terms with the Company. Pearl farming is a long-term business and the experience of long serving senior employees an important factor in the long-term success of the Company.

#### ***Use of remuneration consultants***

During the financial year ended 30 June 2022 the Company did not engage any remuneration consultants.

#### ***Voting and comments made at the Company's 2021 Annual General Meeting***

Atlas Pearls received 99.89% of "yes" votes on adoption of the remuneration report for the 2021 financial year. 99.97% of "yes" votes were received on the resolution to re-elect Mr Tim Martin as Director. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration.

#### ***Relationship between Key Management Personnel Remuneration and Performance***

Each Key Management Personnel is remunerated on an individual basis.

## 14.2 DETAILS OF REMUNERATION

The following tables show details of the remuneration received by the Directors and the Key Management Personnel of the Group for the current and previous financial period.

Name		Cash salary & fees	Short-term benefits				Post-employment benefits	Long term benefits	Share based compensation		Total
			Salary sacrifice for shares	Short-term incentive cash bonus	Non-cash monetary benefit <sup>4</sup>	Total cash salary, fees and short-term benefits	Super-annuation benefit	Long service leave	Bonus Shares	Options <sup>5</sup>	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>DIRECTORS (NON-EXECUTIVE)</b>											
T. Martin	2022	61,328	-	-	-	61,328	-	-	-	-	61,328
	2021	47,609	-	-	-	47,609	-	-	-	-	47,609
C. Buss	2022	61,250	-	-	-	61,250	-	-	-	-	61,250
	2021	47,500	-	-	-	47,500	-	-	-	-	47,500
<b>DIRECTORS (EXECUTIVE)</b>											
G. Newman	2022	218,469	-	-	-	218,469	21,947	-	-	15,246	255,662
	2021	171,884	-	-	-	171,884	16,354	-	-	-	188,238
<b>OTHER KEY MANAGEMENT PERSONNEL</b>											
M. Longhurst	2022	247,885	-	-	39,875	287,760	-	-	-	5,641	293,401
	2021	205,384	-	2,000	38,265	245,648	-	-	-	38	245,686
M. Ricci	2022	4,308	-	-	-	4,308	431	-	-	-	4,739
	2021	-	-	-	-	-	-	-	-	-	-
D. Kubicki	2022	205,977	-	-	-	205,977	21,172	-	-	4,905	232,054
	2021	164,968	-	2,000	-	166,969	15,893	-	-	38	182,900
<b>TOTAL 2022</b>	<b>2022</b>	<b>799,217</b>	<b>-</b>	<b>-</b>	<b>39,875</b>	<b>839,092</b>	<b>43,550</b>	<b>-</b>	<b>-</b>	<b>25,792</b>	<b>908,434</b>
<b>TOTAL 2021</b>	<b>2021</b>	<b>637,345</b>	<b>-</b>	<b>4,000</b>	<b>38,265</b>	<b>679,610</b>	<b>32,247</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>711,933</b>

1. Mr G Newman was appointed Executive Chairman 1 October 2019 to 13 July 2022.

2. Mr M Ricci was appointed Chief Executive Officer 13 June 2022.

3. Non-Monetary benefits of other Key Management Personnel includes overseas living allowances as per individual employment contracts.

4. Share based remuneration related to options being recognised over the respective vesting period.

5. In response to the Global Pandemic, COVID-19, the Company reduced the remuneration of Directors and Key Management Personnel by 20%, effective 1 April 2020 - 30 June 2020, and 10% effective 1 July 2020 - 31 December 2020.

6. In December 2021, Atlas Pearls repaid all remuneration reductions from the period 1 April 2020 through to 31 December 2020.

### 14.2.1 DETAILS OF REMUNERATION – PERFORMANCE ANALYSIS

The following table indicates the percentage of remuneration relating to options and performance:

NAME	30 JUNE 2022 % PERFORMANCE	30 JUNE 2021 % PERFORMANCE
G. Newman	5.96%	0%
M. Longhurst	1.92%	0.83%
M. Ricci	0%	n/a
D. Kubicki	2.11%	1.11%

## 14.2.2 RELATIONSHIP BETWEEN REMUNERATION AND ATLAS PERFORMANCE

The following table shows performance indicators as prescribed by the *Corporations Act 2001* over the past five reporting periods:

	30 JUNE 2022	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018
Profit/(loss) for the year	4,591,551	6,719,924	(8,076,827)	(3,582,461)	(2,034,099)
Basic earnings per share	1.08	1.58	(1.90)	(0.84)	(0.48)
Dividend payments	-	-	-	-	-
Increase/(decrease) in share price	140%	200%	(38%)	(67%)	(8%)
Total KMP incentives as percentage of profit/(loss) %	0.6%	0.1%	(0.2%)	(2.5%)	(0.8%)

## 14.3 SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company. Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Marketing Officer and other Key Management Personnel are also formalised in service agreements.

Details of Key Management Personnel contracts are set out below:

### 14.3.1 MR GEOFFERY NEWMAN • (EXECUTIVE CHAIRMAN - APPOINTED 1 OCTOBER 2019 TO 13 JULY 2022)

- Base salary for the 2022 financial period of \$158,400 per annum inclusive of superannuation for three days per week (2021: \$120,000).
- Chairman fees of \$90,000 per annum (2021: \$78,000).
- In response to the Global Pandemic, COVID-19, salaries were reduced 20% effective 1 April 2020 to 30 June 2020 and 10% effective 01 July 2020 to 31 December 2020.
- In December 2021, Atlas Pearls repaid all remuneration reductions from the period 1 April 2020 through to 31 December 2020.
- No bonus has been accrued as payable for 21/22.
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

### 14.3.2 MR MARK LONGHURST • (CHIEF OPERATING OFFICER - APPOINTED 1 MARCH 2016)

- Base salary for the 2022 financial period of \$230,000 per annum (2021: \$200,000).
- Non-Financial allowances related to living in Indonesia are also included, to a maximum allowance of \$22,500 annually.
- In response to the Global Pandemic, COVID-19, salaries were reduced 20% effective 1 April 2020 to 30 June 2020 and 10% effective 01 July 2020 to 31 December 2020.
- In December 2021, Atlas Pearls repaid all remuneration reductions from the period 1 April 2020 through to 31 December 2020.
- No bonus has been accrued as payable for 21/22.
- Either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

### 14.3.3 MR MICHAEL RICCI • (CHIEF EXECUTIVE OFFICER - APPOINTED 13 JUNE 2022)

- Base salary for the 2022 financial period of \$246,400 per annum inclusive of superannuation for four days per week.
- No bonus has been accrued as payable for 21/22.
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

### 14.3.4 MS DIANA KUBICKI • (CHIEF FINANCIAL OFFICER - APPOINTED 26 MARCH 2018)

- Base salary for the 2022 financial period of \$220,000 per annum inclusive of superannuation (2021: \$190,000).
- In response to the Global Pandemic, COVID-19, salaries were reduced 20% effective 1 April 2020 to 30 June 2020 and 10% effective 01 July 2020 to 31 December 2020.
- In December 2021, Atlas Pearls repaid all remuneration reductions from the period 1 April 2020 through to 31 December 2020.
- No bonus has been accrued as payable for 21/22.
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

### 14.3.5 OTHER NON - EXECUTIVES (STANDARD CONTRACTS)

- Contract terminates on retirement.
- The Company may terminate the Executive's employment agreement by providing two months' written notice or providing payment in lieu of the notice period.
- No entitlement to any special termination payments under these contracts.

## 14.4 ADDITIONAL INFORMATION OF THE REMUNERATION REPORT

### 14.4.1 LOANS FROM DIRECTORS AND EXECUTIVES

- The Company maintains its debt funding from Boneyard Investments Pty Ltd, a related party of Mr T. Martin (Non-executive Director).
- As at 30 June 2022 the balance of the loan was \$1.125M (30 June 2021: \$4.0M)
- As at 30 June 2022 interest accrued and payable on loans from related parties is \$nil (30 June 2021: \$nil)

(Refer note 17.4 for further details of the loan arrangement.)

#### 14.4.2 OPTIONS

Options were issued to Key Management Personnel during the financial year end 30 June 2022.

The options were issued at nil cost to employees and expire on 30 September 2024. The options are exercisable based on graduated vesting dates. Refer to section 14.5.2 for details.

#### 14.4.3 OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

As at 30 June 2022, Director fees of \$5,417 are payable (30 June 2021: \$3,750).

#### 14.5 SHARE BASED PAYMENTS COMPENSATION

##### 14.5.1 EMPLOYEE SALARY SACRIFICE SHARE PLAN

There was no salary sacrifice scheme undertaken for the year ended 30 June 2022.

##### 14.5.2 PERFORMANCE OPTIONS

The details relating to the allocation of performance options to Key Management Personnel under the Atlas Pearls Ltd Employee Share and Incentive Plan are as follows.

The fair value at grant date, is independently determined using a Hoadley Trading & Investment valuation model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

NAME	DATE OF GRANT	ENTITLEMENT NO. OF OPTIONS	VESTING DATE	EXPIRY DATE	FINANCIAL YEAR IN WHICH OPTIONS VEST	SHARE PRICE AT GRANT DATE	OPTION EXERCISE PRICE	VOLATILITY	RISK FREE RATE	TOTAL VALUE OF OPTIONS AT GRANT DATE	FAIR VALUE
Geoff Newman <sup>1</sup>	29/04/22	510,478	30/06/22	30/09/24	2022	\$0.047	\$0.065	100%	2.45%	\$10,618	\$0.0208
Mark Longhurst <sup>1</sup>	24/05/22	257,055	30/06/22	30/09/24	2022	\$0.042	\$0.065	100%	2.53%	\$4,524	\$0.0176
Diana Kubicki <sup>1</sup>	24/05/22	223,526	30/06/22	30/09/24	2022	\$0.042	\$0.065	100%	2.53%	\$3,934	\$0.0176
Geoff Newman <sup>1</sup>	29/04/22	765,718	30/06/23	30/09/24	2023	\$0.047	\$0.070	100%	2.45%	\$16,616	\$0.0217
Mark Longhurst <sup>1</sup>	24/05/22	385,583	30/06/23	30/09/24	2023	\$0.042	\$0.070	100%	2.53%	\$6,941	\$0.0180
Diana Kubicki <sup>1</sup>	24/05/22	335,290	30/06/23	30/09/24	2023	\$0.042	\$0.070	100%	2.53%	\$6,035	\$0.0180
Geoff Newman <sup>1</sup>	29/04/22	1,276,196	30/06/24	30/09/24	2024	\$0.047	\$0.075	100%	2.45%	\$28,332	\$0.0222
Mark Longhurst <sup>1</sup>	24/05/22	642,639	30/06/24	30/09/24	2024	\$0.042	\$0.075	100%	2.53%	\$11,825	\$0.0184
Diana Kubicki <sup>1</sup>	24/05/22	558,816	30/06/24	30/09/24	2024	\$0.042	\$0.075	100%	2.53%	\$10,282	\$0.0184

Notes: 1. These unlisted options were approved at the EGM on 29 April 2022 and are subject to the following vesting conditions:

- i. Vesting dates - tranche one vests on 30 June 2022 for an exercise price of \$0.065, tranche two vests 30 June 2023 with an exercise price of \$0.070 and tranche three will vest 30 June 2024 with an exercise price of \$0.075 and;
- ii. the employee remains engaged as an employee at the date of the prescribed vesting above in (i).

### 14.5.3 EQUITY INSTRUMENTS

The details relating to the equity instruments held by Key Management Personnel are as follows:

#### (A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

1. Options and rights granted as compensation:

There were 5,877,347 options issued to Key Management Personnel as remuneration during the year ended 30 June 2022 (30 June 2021: nil).

#### (B) SHAREHOLDINGS

The number of shares in the Company held during the financial period by each Director of the Company and the other Key Management Personnel of the Group, including their personally related parties, are set out below.

The details relating to the equity instruments held by Key Management Personnel are as follows:

	BALANCE 01/07/21	GRANTED AS COMPEN- SATION	OPTIONS EXERCISED	ACQUIRED <sup>2</sup>	BALANCE 30/06/22
<b>PARENT ENTITY DIRECTORS</b>					
Mr G. Newman	2,563,443	-	-	-	2,563,443
Mr T. Martin <sup>1</sup>	108,326,550	-	-	1,858,445	110,184,995
Mr C. Buss	1,000,000	-	-	337,000	1,337,000
<b>OTHER KEY MANAGEMENT PERSONNEL</b>					
Mr M. Ricci	-	-	-	-	-
Mr M. Longhurst	-	-	-	-	-
Ms D. Kubicki	-	-	-	-	-
	<b>111,889,993</b>	<b>-</b>	<b>-</b>	<b>2,195,445</b>	<b>114,085,438</b>

Notes: 1. 4,997,428 shares are directly held by Mr T Martin. The balance of 105,187,567 shares are related party share holdings.

2. On-market purchase of ordinary shares.

#### (C) OPTION HOLDING

The number of options over ordinary shares in the parent entity held during the 12 months ended 30 June 2022 by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE 01/07/21	GRANTED	VESTED <sup>1</sup>	EXERCISED	LAPSED	BALANCE 30/06/22
<b>PARENT ENTITY DIRECTORS</b>						
Mr G. Newman	-	2,552,392	510,478	-	-	2,552,392
Mr T. Martin	-	-	-	-	-	-
Mr. C Buss	-	-	-	-	-	-
<b>OTHER KEY MANAGEMENT PERSONNEL</b>						
Mr M. Ricci	-	-	-	-	-	-
Mr M. Longhurst	-	1,285,277	257,055	-	-	1,285,277
Ms D. Kubicki	-	1,117,632	223,526	-	-	1,117,632
	<b>-</b>	<b>4,955,301</b>	<b>991,059</b>	<b>-</b>	<b>-</b>	<b>4,955,301</b>

Notes: 1. Options vested 30 June 2022.

This is the end of the Audited Remuneration Report.

## 15. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

Signed in accordance with a resolution of the Directors.



Geoff Newman  
Chairman  
30 August 2022

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Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth WA 6000  
PO Box 700 West Perth WA 6872  
Australia

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ATLAS PEARLS LIMITED

As lead auditor of Atlas Pearls Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Atlas Pearls Limited and the entities it controlled during the period.

**Jarrad Prue**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

30 August 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTES	2022 \$	2021 \$
Revenue from contracts with customers	3	21,507,913	18,280,749
Cost of goods sold		(11,569,737)	(8,445,407)
<b>GROSS PROFIT</b>		<b>9,938,176</b>	9,835,342
Administration expenses	5	(5,000,982)	(4,541,454)
Finance costs	5	(249,842)	(445,836)
Marketing expenses		(435,167)	(257,657)
Change in fair value less husbandry costs of oysters		2,336,115	3,988,632
Write down of pearls and jewellery		-	(86,909)
Other expenses	5	(1,465,813)	(992,568)
Other income		305,180	576,164
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>5,427,667</b>	8,075,714
Income tax expense	7	(836,116)	(1,355,790)
<b>PROFIT / (LOSS) AFTER INCOME TAX</b>		<b>4,591,551</b>	6,719,924
<b>OTHER COMPREHENSIVE INCOME / (LOSSES)</b>			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		1,280,099	(1,936,581)
<b>OTHER COMPREHENSIVE INCOME / (LOSSES) NET OF TAXES</b>		<b>1,280,099</b>	(1,936,581)
<b>TOTAL COMPREHENSIVE INCOME / (LOSSES)</b>		<b>5,871,650</b>	4,783,343
<b>PROFIT / (LOSS) IS ATTRIBUTABLE TO:</b>			
<b>OWNERS OF THE COMPANY</b>		<b>4,591,551</b>	6,719,924
<b>TOTAL COMPREHENSIVE INCOME / (LOSSES) IS ATTRIBUTABLE TO : THE OWNERS OF THE COMPANY</b>		<b>5,871,650</b>	4,783,343
Overall operations:			
<b>EARNINGS PER SHARE FOR PROFIT / (LOSS) FROM CONTRACTS WITH CUSTOMERS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic earnings profit / (loss) per share (CENTS)	6	1.08	1.58
Diluted earnings per share (CENTS)	6	1.08	1.58

The above consolidated statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2022 \$	2021 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,995,131	3,022,311
Trade and other receivables		240,047	526,388
Inventories	9	3,167,940	714,952
Biological assets	4	9,763,861	10,419,792
<b>TOTAL CURRENT ASSETS</b>		<b>16,166,979</b>	<b>14,683,443</b>
<b>NON-CURRENT ASSETS</b>			
Intangibles		18,561	87,384
Loans to joint venture entities		-	1,923
Biological assets	4	7,883,366	6,824,384
Property, plant and equipment	11	5,905,882	5,138,987
Right-of-use assets	12	686,707	524,582
Deferred tax assets	7	854,108	791,078
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,348,624</b>	<b>13,368,338</b>
<b>TOTAL ASSETS</b>		<b>31,515,603</b>	<b>28,051,781</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	810,715	636,580
Provisions	10	2,731,110	2,766,575
Borrowings	13	1,125,000	2,974,645
Lease Liabilities	12	58,048	61,151
Current tax liabilities	7	398,583	422,319
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,123,456</b>	<b>6,861,271</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	12	220,998	257,413
Borrowings	13	-	1,223,929
Deferred tax liabilities	7	1,766,697	1,256,238
Provisions	10	29,616	28,175
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,017,311</b>	<b>2,765,755</b>
<b>TOTAL LIABILITIES</b>		<b>7,140,767</b>	<b>9,627,026</b>
<b>NET ASSETS</b>		<b>24,374,836</b>	<b>18,424,755</b>
<b>EQUITY</b>			
Contributed equity	14	36,857,415	36,857,415
Reserves	15	(8,366,153)	(9,724,683)
(Accumulated losses)		(4,116,426)	(8,707,977)
<b>TOTAL EQUITY</b>		<b>24,374,836</b>	<b>18,424,755</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO OWNERS OF ATLAS PEARLS						
	CONTRIBUTED EQUITY	REVALUATION RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	(ACCUMULATED LOSS)	TOTAL EQUITY
NOTES	\$	\$	\$	\$	\$	\$
<b>BALANCES AT 1 JULY 2021</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,083</b>	<b>(10,814,945)</b>	<b>(8,707,977)</b>	<b>18,424,755</b>
<b>PROFIT FOR THE YEAR</b>	-	-	-	-	4,591,551	4,591,551
Exchange differences on translation of foreign operations	15	-	-	1,280,099	-	1,280,099
<b>TOTAL COMPREHENSIVE INCOME</b>	-	-	-	1,280,099	4,591,551	5,871,650
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Employee share scheme	15	-	-	78,431	-	78,431
<b>BALANCE AT 30 JUNE 2022</b>	<b>36,857,415</b>	<b>179,179</b>	<b>989,514</b>	<b>(9,534,846)</b>	<b>(4,116,426)</b>	<b>24,374,836</b>
<b>BALANCES AT 1 JULY 2020</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,215</b>	<b>(8,878,364)</b>	<b>(15,427,901)</b>	<b>13,641,544</b>
<b>PROFIT FOR THE YEAR</b>	-	-	-	-	6,719,924	6,719,924
Exchange differences on translation of foreign operations	15	-	-	(1,936,581)	-	(1,936,581)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	-	-	-	(1,936,581)	6,719,924	4,783,343
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Employee share scheme	15	-	-	(132)	-	(132)
<b>BALANCE AT 30 JUNE 2021</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,083</b>	<b>(10,814,945)</b>	<b>(8,707,977)</b>	<b>18,424,755</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from pearl and jewellery sales		<b>20,982,624</b>	17,273,098
Proceeds from pearl by-product sales		<b>838,216</b>	924,347
Payments to suppliers and employees		<b>(15,710,705)</b>	(13,556,124)
Income tax (paid)		<b>(920,381)</b>	(461,097)
Interest paid		<b>(215,713)</b>	(408,850)
Interest received		<b>11,751</b>	2,298
Net cash inflow from operating activities	8	<b>4,985,792</b>	3,773,627
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		<b>(1,600,828)</b>	(1,252,245)
Net cash (outflow) from investing activities		<b>(1,600,828)</b>	(1,252,245)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		<b>(3,628,515)</b>	(3,870,292)
Proceeds from borrowings		<b>556,207</b>	3,663,916
Repayment of lease liabilities		<b>(79,454)</b>	(338,266)
Net cash (outflow) from financing activities		<b>(3,151,762)</b>	(544,642)
Net increase/(decrease) in cash and cash equivalents		<b>233,202</b>	1,976,785
Cash and cash equivalents at the beginning of the year		<b>3,022,311</b>	718,302
Effects of exchange rate changes on cash and cash equivalents		<b>(260,382)</b>	327,224
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<b>2,995,131</b>	3,022,311

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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## PART A BASIS OF PREPARATION

### 1. Basis of Preparation

#### 1.1 BASIS OF PREPARATION

The financial statements cover the consolidated entity of Atlas Pearls Ltd and its subsidiaries. Atlas Pearls is a listed public Company, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' report which is not part of these financial statements. The financial statements were authorised for issue by the Directors on 30 August 2022. The Directors have the power to amend and reissue the financial statements.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), IFRS and the *Corporations Act 2001*. Atlas Pearls is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been prepared under the historical cost basis, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and biological assets and inventories at fair value less cost to sell.

The accounting policies are consistent with those disclosed in the 2021 financial statements, except for the impact of all new or amended standards and interpretations.

#### 1.2 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are detailed below:

- (a) Determination of market value of biological assets – see note 4
- (b) Recoverability of deferred tax asset - see note 7
- (c) Write off of inventories – see note 9
- (d) Property, plant and equipment depreciation rates - see note 11
- (e) Assessment of Lease Liabilities - see note 12

# PART B FINANCIAL PERFORMANCE

## 2. Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors and management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

### DISAGGREGATION OF REVENUE

The Group derives revenue from the transfer of goods at a point in time in major product lines and geographical regions as shown below.

The operating segments are identified by management based on the location in which the product is sold, whether Australia or Indonesia. Discrete financial information about each of these operating businesses is reported to the Board of Directors and management team on at least a monthly basis.

The accounting policies used by the Group in reporting segments are the same as those detailed throughout the financial statements and in the prior period except as detailed below.

### INTER-ENTITY SALES

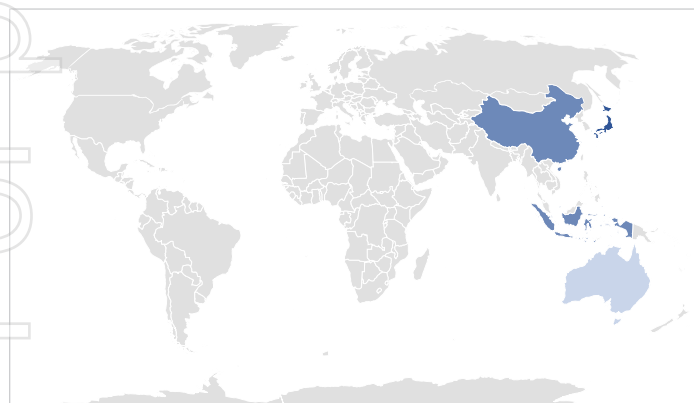
Inter-entity sales are recognised on a cost-plus arrangement as per the Advance Pricing Agreement (APA) which was effective 1 July 2017 through to 30 June 2020. The transfer price terms per the APA are between 11.8% and 16.47%. The Company has applied for an extension of the current APA agreement for a further five years, which is being reviewed by the respective tax authorities. At report date, the agreement was still being negotiated. Atlas Pearls has chosen to prepare its accounts in line with the previous APA agreement until a new agreement has been signed. These transactions are eliminated within the internal reports. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

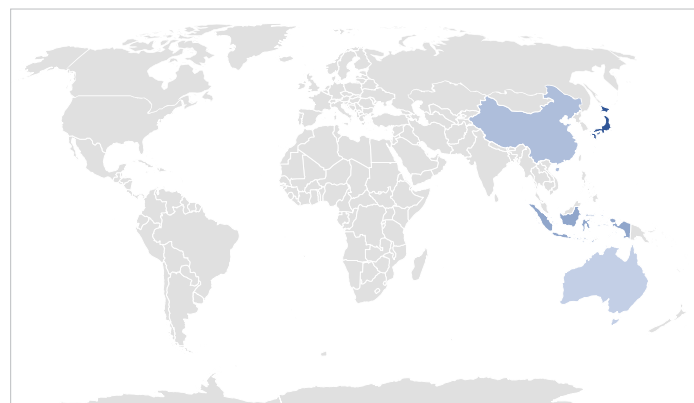
Segment revenue reconciles to total revenue from contracts with customers in the statement of profit or loss and other comprehensive income as follows:

	2022	2021
<b>TOTAL SEGMENT REVENUE</b>	<b>40,160,833</b>	31,605,423
Inter-segment eliminations	(18,652,920)	(13,324,674)
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 3)</b>	<b>21,507,913</b>	18,280,749

GEOGRAPHICAL SALES DISTRIBUTION - 2022



GEOGRAPHICAL SALES DISTRIBUTION - 2021



## 2.1 SEGMENT INFORMATION PROVIDED TO THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

- (i) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 30 June 2022 is as follows:

30 JUNE 2022	LOOSE PEARLS AND BY-PRODUCT		
	AUSTRALIA \$	INDONESIA \$	TOTAL \$
Total segment revenue	20,565,831	19,595,002	40,160,833
Inter-segment revenue	-	(18,652,920)	(18,652,920)
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>20,565,831</b>	<b>942,082</b>	<b>21,507,913</b>
<b>TIMING OF REVENUE RECOGNITION</b>			
At a point in time	20,565,831	942,082	21,507,913
Over time	-	-	-
	<b>20,565,831</b>	<b>942,082</b>	<b>21,507,913</b>
<b>NORMALISED EBITDA (Note iv)</b>	<b>1,287,569</b>	<b>3,062,661</b>	<b>4,191,144</b>
<b>ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>1,085,453</b>	<b>2,777,063</b>	<b>3,703,431</b>
Depreciation and amortisation	116,055	196,203	312,258
Revaluation of Biological Assets	-	2,336,115	2,336,115
<b>TOTAL SEGMENT ASSETS</b>	<b>2,276,144</b>	<b>28,384,770</b>	<b>30,660,914</b>
Total assets include:			
Additions to non-current assets	31,237	1,548,641	1,579,878
<b>TOTAL SEGMENT LIABILITIES (Note iii)</b>	<b>(479,227)</b>	<b>(3,092,214)</b>	<b>(3,571,441)</b>

- (ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 30 June 2021 is as follows:

30 JUNE 2021	LOOSE PEARLS AND BY-PRODUCT		
	AUSTRALIA \$	INDONESIA \$	TOTAL
Total segment revenue	17,540,309	14,065,114	31,605,423
Inter-segment revenue	-	(13,324,674)	(13,324,674)
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>17,540,309</b>	<b>740,440</b>	<b>18,280,749</b>
<b>TIMING OF REVENUE RECOGNITION</b>			
At a point in time	17,540,309	740,440	18,280,749
Over time	-	-	-
	17,540,309	740,440	18,280,749
<b>NORMALISED EBITDA</b>	<b>4,370,769</b>	<b>1,257,453</b>	<b>5,628,222</b>
<b>ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>3,623,904</b>	<b>994,935</b>	<b>4,618,839</b>
Depreciation and amortisation	299,028	174,143	473,171
Revaluation of Biological Assets	-	3,988,362	3,988,362
<b>TOTAL SEGMENT ASSETS</b>	<b>3,128,717</b>	<b>24,129,502</b>	<b>27,258,219</b>
Total assets include:			
Additions to non-current assets	137,788	1,114,457	1,252,245
<b>TOTAL SEGMENT LIABILITIES</b>	<b>(577,595)</b>	<b>(2,853,735)</b>	<b>(3,431,330)</b>

## 2.2 OTHER SEGMENT INFORMATION

### (i) Adjusted net operating profit

The Board of Directors and the management team review on a monthly basis the performance of each segment by analysing the segment's net operating profit before tax. A segment's net operating profit before tax excludes non-operating income and expense such as interest paid and received, foreign exchange gains and losses whether realised or unrealised, fair value gains and losses and impairment charges.

A reconciliation of adjusted net operating profit/(loss) before income tax is provided as follows:

	2022 \$	2021 \$
<b>SEGMENT NET OPERATING PROFIT/(LOSS) BEFORE TAX</b>	<b>3,703,431</b>	4,618,839
Changes in fair value of biological and agricultural assets	<b>2,336,115</b>	3,988,632
Write-off of pearls and jewellery	-	(86,909)
Foreign exchange gains	<b>174,198</b>	311,194
Foreign exchange losses	<b>(786,077)</b>	(756,042)
<b>TOTAL PROFIT/(LOSS) BEFORE INCOME TAX FROM OPERATIONS</b>	<b>5,427,667</b>	8,075,714

### (ii) Segment assets

Assets are allocated based on the operations of the segment and the physical location of the asset. Reportable segments' assets are reconciled to total assets as follows:

	2022 \$	2021 \$
<b>SEGMENT ASSETS (Note 2.1)</b>	<b>30,660,914</b>	27,258,219
Unallocated:		
Joint Venture Loans	<b>582</b>	2,484
Deferred tax assets	<b>854,108</b>	791,078
<b>TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>31,515,604</b>	28,051,781

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$786,159 (30 June 2021: \$870,061).

The total located in Indonesia is \$12,551,975 (30 June 2021: \$12,341,071).

### (iii) Segment liabilities

Liabilities are allocated based on the operations of the segment and the physical location of the asset. Reportable segments' liabilities are reconciled to total liabilities as follows:

	2022 \$	2021 \$
<b>SEGMENT LIABILITIES (Note 2.1)</b>	<b>3,571,441</b>	3,431,330
Unallocated:		
Current tax liabilities	<b>398,583</b>	422,319
Borrowings	<b>1,125,000</b>	4,198,574
Lease liabilities	<b>279,046</b>	318,565
Deferred tax liabilities	<b>1,776,697</b>	1,256,238
<b>TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>7,140,768</b>	9,627,026

### (iv) Normalised EBITDA reconciliation

	2022 \$	2021 \$
Net profit before tax	<b>5,427,667</b>	8,075,714
Finance/interest paid	<b>237,971</b>	443,573
Depreciation/amortisation	<b>312,258</b>	473,171
FX loss	<b>611,879</b>	444,849
Agriculture standard revaluation (gain)/loss	<b>(2,336,115)</b>	(3,988,632)
Write-off of pearls and jewellery	-	86,909
Other non-operating expense	-	92,638
<b>NORMALISED EBITDA</b>	<b>4,253,660</b>	5,628,222



### 3. Revenue from Contracts with Customers

#### 3.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 \$	2021 \$
Sale of goods	21,507,913	18,280,749
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>21,507,913</b>	<b>18,280,749</b>

#### 3.2 OTHER INCOME

	2022 \$	2021 \$
Foreign exchange gains	174,198	311,194
Grant funds <sup>1</sup>	-	247,416
Interest income	11,751	2,262
Other	119,112	-
COVID-19 rent relief	-	15,292
<b>TOTAL OTHER INCOME</b>	<b>305,180</b>	<b>576,164</b>

1. Grant funds includes Job Keeper payment scheme, BAS cashflow boost and COVID support grant.

#### SIGNIFICANT ACCOUNTING POLICY

##### Revenue from contracts with customers

Revenue is recognised when the Group transfers control of products to a customer at the amount to which the Group expects to be entitled. Revenue shall be measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by an agreement between the Group and the customer.

##### Government Grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the loss they are intended to compensate.

##### Sale of Goods - Wholesale

The Group produces and sells pearls in the wholesale market. Revenue from the sale of goods is recognised at a point in time when control of the product is transferred to the customer, which is typically on delivery.

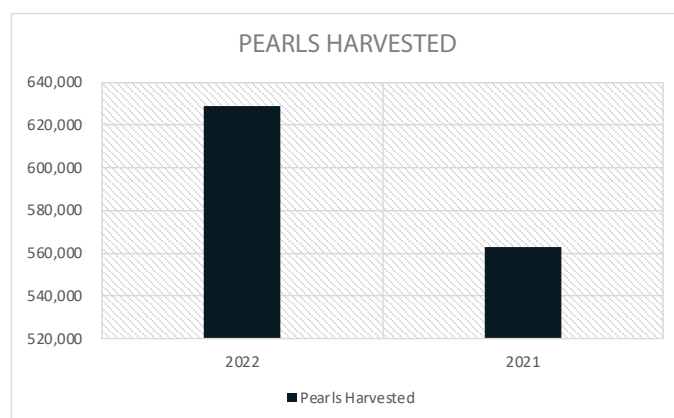
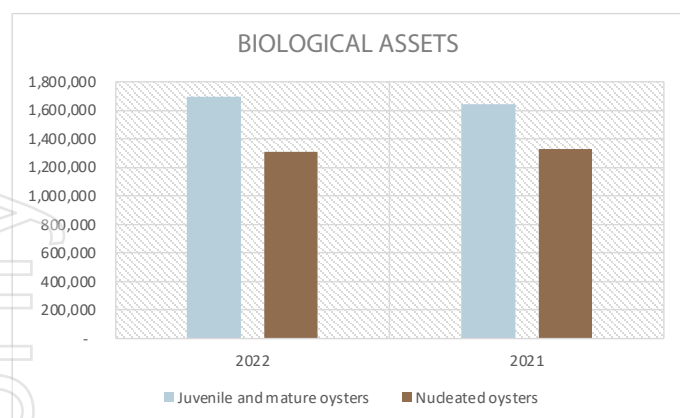
##### Sale of Goods - Retail

The Group operates an online retail store and farm experience stores selling pearl jewellery. Revenue from the sale of goods is recognised when the Group transfers control of the product to the customer, which is typically at the point of sale.

### 4. Biological Assets

	2022 \$	2021 \$
<b>CURRENT</b>		
Oysters – at fair value	9,763,861	10,419,792
<b>TOTAL CURRENT BIOLOGICAL ASSETS</b>	<b>9,763,861</b>	<b>10,419,792</b>
Oysters – at fair value	7,883,366	6,824,384
<b>TOTAL NON-CURRENT BIOLOGICAL ASSETS</b>	<b>7,883,366</b>	<b>6,824,384</b>
<b>TOTAL BIOLOGICAL ASSETS</b>	<b>17,647,227</b>	<b>17,244,176</b>

Biological Assets recognised as current assets on the statement of financial position represent the estimated value of the pearls to be harvested within the next 12 months. The details of the Biological Assets that are held by the Group as at period end are as follows:



No significant events occurred which impacted on oyster mortalities during the financial year

### SIGNIFICANT ACCOUNTING POLICY

Agricultural assets include pearl oysters, both seeded and unseeded. Seeded oysters are measured at their fair value less estimated husbandry costs. The fair value of these biological assets is determined by using the present value of expected net cash flows from the oysters, discounted using a pre-tax market determined rate. The fair value of unseeded oysters is determined by reference to market prices for this type of asset in Indonesia.

Changes in fair value less estimated husbandry costs of these assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the period they arise.

### SIGNIFICANT JUDGEMENT

Fair value should reflect market participant views and market data at the measurement date under current market conditions. The valuation of oysters contains both observable and unobservable inputs. The Group carefully considered these inputs when assessing the fair value of oyster stocks. A fair valuation uplift of \$2,336,115 (2021: \$3,988,632 increase) is included in the valuation of biological assets.

The Group is exposed to financial risk in respect of its involvement in primary production which consists of the breeding and rearing of oysters for the purpose of producing pearls. The primary financial risk associated with this activity occurs due to the length of time between the expenditure of cash in relation to the operation of the farm and the harvesting of the pearls and realisation of cash receipts from the sales to third parties. The Group ensures that it maintains sufficient working capital to sustain its operations through any delays in cash flow that may be reasonably foreseen.

Level 3 analysis: The finance and operations departments undertake the valuation of the oysters. The calculations are considered to be level 3 fair values. The data is taken from internal management reporting and work completed by the executive within the respective field teams to determine the material inputs to the model. The key production inputs are confirmed with the relevant executives and agreed with the Board of Directors every six months. These are listed in note 4.1.

### 4.1 KEY PRODUCTION ASSUMPTIONS

The key assumptions utilised to determine the fair market value of oysters are detailed below:

INPUT	2022	2021	COMMENTARY
Average selling price	¥11,250	¥10,457	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	¥93.79	¥83.12	Based on forward Yen price per a financial institution.
Average pearl size	0.43	0.45	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	38%	37%	Based on historical data for pearl grade over the last 12 months.
Discount rate	20%	20%	Based on analysis of comparable primary producers.
Mortality	Historical	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	\$1.76	\$1.69	Based on historical independent valuation.
Costs to complete	\$0.69	\$0.53	Based on historical averages of costs to complete and sell pearls per momme.

## 4.2 SENSITIVITY ANALYSIS - OYSTERS

The following tables summarise the potential impact of changes in the key non-production related variables on the oyster valuation:

DISCOUNT RATE	AVERAGE SELLING PRICE (¥/MOMME)		
	-10%	NO CHANGE	+10%
	¥10,125 (SELLABLE GRADE) ¥1,166 (COMMERCIAL GRADE)	¥11,250 (SELLABLE GRADE) ¥1,295 (COMMERCIAL GRADE)	¥12,375 (SELLABLE GRADE) ¥1,425 (COMMERCIAL GRADE)
	PROFIT \$	PROFIT \$	PROFIT \$
22%	(2,799,709)	(243,948)	2,311,714
20%	(2,604,204)	-	2,604,204
18%	(2,401,164)	253,617	2,908,398

FX RATE	AVERAGE SELLING PRICE (¥/MOMME)		
	-10%	NO CHANGE	+10%
	¥10,125 (SELLABLE GRADE) ¥1,166 (COMMERCIAL GRADE)	¥11,250 (SELLABLE GRADE) ¥1,295 (COMMERCIAL GRADE)	¥12,375 (SELLABLE GRADE) ¥1,425 (COMMERCIAL GRADE)
	PROFIT \$	PROFIT \$	PROFIT \$
¥103.17	(4,893,814)	(2,544,011)	(194,208)
¥93.79	(2,604,204)	-	2,604,204
¥84.41	241,643	3,162,052	6,082,461

AV. WEIGHT	SELLABLE %		
	-10%	NO CHANGE	+10%
	34% (SELLABLE %) 26% (COMMERCIAL %)	38% (SELLABLE %) 29% (COMMERCIAL %)	42% (SELLABLE %) 32% (COMMERCIAL %)
	PROFIT \$	PROFIT \$	PROFIT \$
0.47	322,016	2,604,204	4,899,292
0.43	(2,074,716)	-	2,077,353
0.39	(4,411,490)	(2,539,010)	(664,156)

## 5. Expenses

### 5.1 ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	2022 \$	2021 \$
Salaries and wages	3,501,850	2,808,960
Depreciation property, plant and equipment	154,536	212,005
Amortisation of intangible asset	86,262	25,187
Amortisation of right-of-use asset	71,460	235,979
Occupancy costs	67,920	110,990
Compliance and accounting	395,130	426,301
Travel	224,288	120,605
Other	499,538	601,427
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>5,000,982</b>	<b>4,541,454</b>

### 5.2 FINANCE COSTS

	2022 \$	2021 \$
Interest and finance charges payable	231,747	417,298
Interest from lease liabilities	18,095	28,538
<b>TOTAL FINANCE COSTS</b>	<b>249,842</b>	<b>445,836</b>

### 5.3 OTHER EXPENSES

	2022 \$	2021 \$
Loss on foreign exchange	786,075	756,042
Provision for employee entitlements	226,175	181,848
Share option expense (refer to note 24)	78,430	(132)
Other	375,133	54,810
<b>TOTAL OTHER EXPENSES</b>	<b>1,465,813</b>	992,568

### 6. *Earnings profit/(loss) per share*

	2022 \$	2021 \$
Basic earnings/(loss) per share (cents per share)	1.08	1.58
Diluted earnings per share (cents per share)	1.08	1.58

### 6.1 EARNINGS RECONCILIATION

	2022 \$	2021 \$
Net profit/(loss) used for basic earnings	4,591,551	6,719,924

	2022 \$	2021 \$
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	424,809,620	424,809,620
Adjustments for calculation of diluted earnings per share	18,758,055	-
<b>WEIGHTED AVERAGE NUMBER OF POTENTIAL ORDINARY SHARES OUTSTANDING DURING THE YEAR USED FOR CALCULATION OF DILUTED EARNINGS PER SHARE</b>	<b>443,567,675</b>	424,809,620

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 30 June 2022 as potential ordinary shares which may have a dilutive effect on the profit of the Group.

Ordinary shares issued to employees under the Employee Share Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive.

#### SIGNIFICANT ACCOUNTING POLICY

##### *Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figure used in determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

# PART C - TAX

## 7. Tax

### 7.1 INCOME TAX EXPENSE

	2022 \$	2021 \$
<b>(A) THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:</b>		
Current tax	388,692	317,414
Deferred tax	731,916	1,038,376
Prior period (over) provision	(284,492)	-
<b>INCOME TAX EXPENSE</b>	<b>836,116</b>	<b>1,355,790</b>
<b>(B) DEFERRED INCOME TAX (REVENUE) EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES:</b>		
Decrease/(increase) in deferred tax assets (excluding tax losses) (note 7.2)	(63,034)	(101,205)
(Decrease)/increase in deferred tax liabilities (note 7.2)	510,497	1,139,581
Decrease/(increase) in opening balances	284,492	-
<b>DEFERRED TAX EXPENSE</b>	<b>731,915</b>	<b>1,038,376</b>
<b>(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE:</b>		
Profit before income tax expense	5,427,667	8,075,714
Tax at the Australian tax rate of 25% (30 June 2021 : 26%)	1,356,917	2,099,685
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	28,530	42,485
Sundry items	(23,671)	(13,842)
Permanent differences	64,166	(20,879)
Difference in overseas tax rates	(53,302)	(56,053)
Income tax under/(over) provided in previous years	(284,492)	-
Previously recognised deferred tax assets	(252,032)	(657,796)
Adjustment to Australian tax rate	-	(37,810)
<b>INCOME TAX EXPENSE</b>	<b>836,116</b>	<b>1,355,790</b>
Weighted average effective tax rates	15%	17%
<b>(D) DEFERRED INCOME TAX AT 30 JUNE RELATES TO THE FOLLOWING:</b>		
Deferred tax liabilities		
Fair value adjustment on biological assets	(604,734)	(1,073,734)
Prepayments	(10,001)	(159)
Other	104,277	(65,688)
Deferred tax assets		
Difference in accounting and tax depreciation	34,972	11,616
Stock	92,764	(605,976)
Accruals	(6,705)	13,777
Provisions	(52,052)	(40,549)
Other	(5,946)	64,541
Previously recognised deferred tax assets	-	657,796
<b>DEFERRED TAX/(INCOME)</b>	<b>(447,425)</b>	<b>(1,038,376)</b>

For details of the franking account, refer to Note 16

## 7.2 TAX ASSETS AND LIABILITIES

	2022 \$	2021 \$
<b>(A) LIABILITIES</b>		
CURRENT		
Income tax payable	398,583	422,319
NON-CURRENT		
Deferred tax liabilities comprises of temporary differences attributable to:		
Agricultural and biological assets at fair value	1,705,996	1,101,262
Prepayments	10,160	159
Other	50,541	154,817
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>1,766,697</b>	<b>1,256,238</b>
<b>(B) ASSETS</b>		
Deferred tax assets comprises of temporary differences attributable to:		
Agricultural and biological assets at fair value	92,764	-
Accruals	25,685	32,390
Provisions	543,715	595,767
Tax allowances relating property, plant & equipment	119,938	84,965
Other	72,006	77,956
	854,108	791,078
Previously recognised deferred tax assets	-	-
Tax losses recognised	-	-
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>854,108</b>	<b>791,078</b>
<b>(C) RECONCILIATIONS</b>		
The overall movement in deferred tax account is as follows:		
Opening balance	(465,159)	(573,217)
(Charge)/credit to statement of profit or loss and other comprehensive income	(731,916)	(1,038,376)
Decrease/(increase) in opening balances	284,492	-
<b>CLOSING BALANCE</b>	<b>(912,583)</b>	<b>(465,159)</b>

### SIGNIFICANT JUDGEMENT

#### *Deferred tax assets*

Deferred tax assets and liabilities have been brought to account after considering the level of tax losses carried forward and available to the Group against future taxable profits and the probability within the future that taxable profits will be available against which the benefits of the deductible temporary difference can be claimed.

Losses can be carried forward indefinitely and have no expiry date.

#### *Changes in tax rate*

The Australian Government has enacted legislation which reduces the corporate tax rate for certain small and medium entities from the current 27.5% (since 2016-17 income year) to 26% for the 2020-21 and to 25% for the 2021-22 and later income years. As Atlas Pearls has a turnover of less than \$50M it qualifies as a medium business entity and the effective tax rate of 25%.

Consequently, Atlas Pearls has remeasured its deferred tax balances based in the effective rate that will apply in the year the temporary differences are expected to reverse. The impact of the change has been recognised as a tax expense in profit or loss, except to the extent that it relates to items previously recognised outside of profit or loss.

# PART D – CASH FLOW INFORMATION

## 8. Cash and Cash Equivalents

	2022 \$	2021 \$
Cash at bank	2,995,131	3,022,311
<b>BALANCES PER STATEMENT OF CASH FLOWS</b>	<b>2,995,131</b>	<b>3,022,311</b>

### RISK EXPOSURE

The Group's exposure to interest rate risk is disclosed in note 17. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

### CASH NOT AVAILABLE FOR USE

The Group has cash held as a guarantee as part of their obligations under their lease agreements totalling \$29,696 (30 June 2021: \$129,696).

## 8.1 NOTES TO THE CASH FLOW STATEMENT

### 8.1.1 RECONCILIATION OF CASH

For the purposes of the statement of cash flows, and in line with the accounting policy, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, high liquid investments with original maturity or three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

Cash at the end of the financial period as shown in the statement of cash-flows is reconciled to the related items in the statement of financial performance as noted above.

### 8.1.2 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2022 \$	2021 \$
<b>PROFIT/(LOSS) AFTER INCOME TAX</b>	<b>4,591,551</b>	6,719,924
Depreciation and amortisation	312,258	473,171
Share based payments	78,430	(132)
Foreign exchange (gain)/losses unrealised	(591,443)	(306,824)
Income tax expense/(benefit)	836,116	1,355,790
Agricultural asset fair value (gains)/losses	(2,336,115)	(3,988,632)
Decrease/(increase) in trade and other debtors	200,621	(64,556)
Decrease/(increase) in inventories	2,254,813	633,656
(Decrease)/increase in trade and other creditors	257,008	(322,963)
Increase/(decrease) in provision	50,352	323,292
Increase/(decrease) in taxes	(447,424)	(1,049,054)
<b>NET CASH OBTAINED IN OPERATING ACTIVITIES</b>	<b>4,985,792</b>	<b>3,773,672</b>

As at the date of this report the Company has not entered into any non-cash financing or investing activities.

### 8.1.3 CREDIT FACILITIES

As at 30 June 2022, the Company had in place a bank overdraft loan facility with the National Australia Bank with a limit of \$1.5M (30 June 2021: \$1.5M).

## PART E – WORKING CAPITAL

### 9. Inventories

	2022 \$	2021 \$
Pearls	2,925,746	479,651
Jewellery	242,194	235,301
<b>TOTAL INVENTORY</b>	<b>3,167,940</b>	<b>714,952</b>
<b>NUMBER OF PEARLS ON HAND</b>	<b>127,761</b>	<b>81,289</b>

#### SIGNIFICANT JUDGEMENT

Pearl and jewellery inventory is held at cost and value assessed based on the fair value of oyster stock at time of harvest. At each reporting date, pearl inventory is reviewed to ensure it is valued at the lower of cost and net realisable value. At 30 June 2022, nil write off of pearl stocks has been recorded (30 June 2021: \$nil).

Net Realisable Value: Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### 10. Trade and Other Payables

	2022 \$	2021 \$
<b>CURRENT</b>		
Provisions	2,731,110	2,766,575
Trade payables	311,792	289,903
Other payables and accrued expenses	498,923	346,678
<b>TOTAL CURRENT TRADE AND OTHER PAYABLES</b>	<b>3,541,825</b>	<b>3,403,156</b>
<b>NON-CURRENT</b>		
Other payables and accrued expenses	29,616	28,175
<b>TOTAL NON-CURRENT TRADE AND OTHER PAYABLES</b>	<b>29,616</b>	<b>28,175</b>
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>3,571,441</b>	<b>3,431,331</b>

Non-current other payables comprise of accrued long service leave for employees with more than five year tenure with the Company.

#### SIGNIFICANT ACCOUNTING POLICY

Trade Payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. These amounts are unsecured and are usually settled within 30 days of recognition.



# PART F – FIXED ASSETS & LIABILITIES

## 11. *Property, plant and equipment*

	2022 \$	2021 \$
<b>(A) NON-PEARLING ASSETS</b>		
Plant and equipment		
- at cost	651,707	692,249
- accumulated depreciation	(558,591)	(595,423)
	93,116	96,826
Leasehold improvements		
- at cost	292,801	278,904
- accumulated depreciation	(235,126)	(196,287)
	57,675	82,617
Total non-pearling assets	150,791	179,443
<b>(B) PEARLING PROJECT</b>		
Land (leasehold and freehold) and buildings		
- at cost	2,516,730	2,400,159
- accumulated depreciation	(818,079)	(709,398)
	1,698,651	1,690,761
Plant and equipment, vessels, vehicles		
- at cost	12,020,273	9,920,649
- accumulated depreciation	(7,963,833)	(6,651,866)
	4,056,440	3,268,783
Total pearling project	5,755,091	4,959,544
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>5,905,882</b>	<b>5,138,987</b>



## SIGNIFICANT JUDGEMENT

Each class of property, plant & equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. The carrying value of property, plant and equipment and their useful lives are reviewed annually by management to ensure it is not in excess of the recoverable amount of these assets which is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal.

The cost of fixed assets constructed within the entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future benefit that will flow to the Group which can be reliably measured, in which case the value of the asset is increased. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

Depreciation on property, plant and equipment is calculated on a straight-line basis so as to write off the cost or valuation of property, plant and equipment over their estimated useful lives commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are unchanged: Freehold Land (5-10%), Leasehold land & buildings improvements (5-10%), Vessels (10%), and Plant and Equipment (10-50%). Depreciation on property, plant and equipment which are directly related to Biological Assets are capitalised to the carrying amount of Biological Assets.

The estimations of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

### Construction in Progress

Included in pearling project land (leasehold and freehold) and buildings is \$604,961 (30 June 2021: \$994,135) which represents construction of buildings in progress at cost. These expenses will be capitalised within property, plant and equipment when a project is completed.

## 12. Leases

This note provides information for leases where the group is a lease. Lease amounts are presented in the statement of financial position as follows:

### (A) RIGHT-OF-USE ASSETS

	2022 \$	2021 \$
Land and buildings - right-of-use	766,694	671,507
Less: Accumulated depreciation	(79,987)	(146,925)
<b>TOTAL RIGHT-OF-USE ASSETS</b>	<b>686,707</b>	<b>524,582</b>

### (B) LEASE LIABILITIES

	2022 \$	2021 \$
Lease Liabilities (current)	58,048	61,151
Lease Liabilities (non-current)	220,998	257,413
<b>TOTAL LEASE LIABILITIES</b>	<b>279,046</b>	<b>318,564</b>

## SIGNIFICANT JUDGEMENT

### Leases

In determining the leases terms, management considers all facts and circumstances that create an economic incentive to exercise and extension options, or not exercise termination options. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the leases terms, management considers all facts and circumstances that create an economic incentive to exercise and extension options, or not exercise termination options. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Extension options on leased offices in Subiaco, West Australia and Sanur, Indonesia have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Refer to note 25 for accounting policy.

# PART G – FUNDING, CAPITAL MANAGEMENT & EQUITY

## 13. Borrowings

	2022 \$	2021 \$
CURRENT		
Other loans	1,125,000	2,974,645
<b>TOTAL CURRENT BORROWINGS</b>	<b>1,125,000</b>	<b>2,974,645</b>
NON CURRENT		
Bank Loan	-	98,929
Other loans	-	1,125,000
<b>TOTAL NON-CURRENT BORROWINGS</b>	<b>-</b>	<b>1,223,929</b>
<b>TOTAL BORROWINGS</b>	<b>1,125,000</b>	<b>4,198,574</b>

Refer to Note 17.4 for disclosures on financing arrangements currently in place.

### SIGNIFICANT ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised in the statement of profit or loss and other comprehensive income.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## 14. Contributed equity

	2022 NO. OF SHARES	2021 NO. OF SHARES	2022 \$	2021 \$
Issued and fully paid-up capital	422,909,620	422,909,620	36,857,415	36,857,415
<b>ORDINARY SHARES</b>				
Balance at beginning of year	424,809,620	424,809,620	36,857,415	36,857,415
Shares issued	-	-	-	-
Share transaction costs	-	-	-	-
Balance at end of year	424,809,620	424,809,620	36,857,415	36,857,415
<b>TREASURY SHARES</b>				
Balance at beginning of year	3,062,138	3,062,138		
Shares released	-	-		
Balance at end of year	3,062,138	3,062,138		

Treasury shares are shares in Atlas Pearls that are held by the Atlas Pearls Ltd Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee share plan. No treasury shares were issued over the course of financial year ended 30 June 2022 to employees as part of the Atlas employee share salary sacrifice plan (30 June 2021: nil).

### (i) RIGHTS

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders (where applicable) and creditors and are fully entitled to any proceeds of liquidation in proportion to the number of shares held.

### (ii) OPTIONS

There are 18,758,055 unlisted options on issue at 30 June 2022. Information relating to the Atlas Pearls Ltd employee share and incentive plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the end of the reporting period are set out in note 24.

### (iii) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group has a net gearing ratio of 5% at 30 June 2022 (30 June 2021 : 23%)

The Group has no external requirements imposed upon it in relation to capital structure.

#### SIGNIFICANT ACCOUNTING POLICY

Ordinary share capital is recognised at the fair value of the consideration received by the Company and recognised in equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## 15. Reserves

	2022 \$	2021 \$
Foreign Currency Translation Reserve	(9,534,846)	(10,814,945)
Employee Share Reserve	989,514	911,083
Revaluation Reserve	179,179	179,179
<b>TOTAL RESERVES</b>	<b>(8,366,153)</b>	<b>(9,724,683)</b>
Movements:		
Foreign Currency Translation Reserve <sup>1</sup>		
Balance at beginning of year	(10,814,945)	(8,878,364)
Currency translation differences arising during the year	1,280,099	(1,936,581)
Balance at end of year	(9,534,846)	(10,814,945)
Employee Share Reserve <sup>2</sup>		
Balance at beginning of year	911,083	911,215
Movement in Employee Share Reserve	78,431	(132)
Balance at end of year	989,514	911,083
Revaluation Reserve <sup>3</sup>		
Balance at beginning of year	179,179	179,179
Balance at end of year	179,179	179,179

NOTES: 1. The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the reporting currency.

2. The employee share reserve records the value of equity portion of remuneration paid to employees in the form of shares or other equity instruments.

3. The revaluation reserve records the value of increase in the carrying value of assets as a result of revaluation.

## 16. Dividends

	2022 \$	2021 \$
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 25%	1,305,572	1,305,572

The above amounts represent the balance of the franking account as at the end of the financial period adjusted for:

- (i) Franking credits that will arise from the payment of the amount of the provision for income tax;
- (ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (iii) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

#### SIGNIFICANT ACCOUNTING POLICY

A Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at reporting date.

No dividends have been paid or declared in respect of the 2022 financial year or the period ended 30 June 2021.

# PART H – FINANCIAL RISK MANAGEMENT

## 17. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. The Group uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk. Risk management is carried out by the Board of Directors and senior management.

The Group holds the following financial instruments:

	2022 \$	2021 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	2,995,131	3,022,311
Trade and other receivables	240,047	440,354
<b>TOTAL FINANCIAL ASSETS</b>	<b>3,235,178</b>	<b>3,462,665</b>
<b>FINANCIAL LIABILITIES</b>		
Trade and other payables	450,214	396,017
Lease Liabilities	279,046	318,565
Borrowings	1,125,000	4,198,573
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,854,260</b>	<b>4,913,155</b>

### 17.1 MARKET RISK

#### (i) FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen ("JPY"), Indonesian Rupiah ("IDR") and US Dollars ("USD").

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

Management manages their foreign exchange risk against their functional currency. Group companies are required to hedge a proportion of their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts and options under the guidance of the Board of Directors.

The majority of the Group's cash reserves are held in Australian banks with AAA ratings.

## GROUP SENSITIVITY ANALYSIS

Sensitivity analysis is based on exchange rates in USD and JPY increasing or decreasing by 10% and the effect on profit and equity.

	STATEMENT OF FINANCIAL POSITION AMOUNT AUD		FOREIGN EXCHANGE RATE RISK									
			30 JUNE 2022				30 JUNE 2021					
					-10%		10%		-10%		10%	
			2022	2021	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
<b>FINANCIAL ASSETS</b>												
Cash	2,995,131	3,022,311	117,148	-	(95,848)	-	56,219	-	(45,998)	-	-	
Trade and other receivables	240,047	440,354	4,520	-	(3,698)	-	45,605	-	(37,313)	-	-	
<b>FINANCIAL LIABILITIES</b>												
Trade and other payables	450,214	396,017	(171)	-	140	-	(4,558)	-	3,729	-	-	
Borrowings	1,125,000	4,198,573	-	-	-	-	-	-	-	-	-	
Total Increase/(Decrease)			121,497	-	(99,406)	-	97,266	-	(79,582)	-	-	

Trade debtors relates to sales made in JPY and USD. Current borrowings are all held in AUD. Not shown in the table above is the exposure to exchange movements on the inter-company loans made to the Indonesian subsidiaries. The loans are held in IDR and revalued to AUD at each year end. The loan balance as at 30 June 2022 was \$4,590,938 (30 June 2021: AUD\$3,660,116). The inter-company loans are eliminated on consolidation.

### (ii) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's main interest rate risk arises from its borrowings, which are repayable by 30 September 2022 at a fixed interest rate. As such the Group considers that any fair value interest rate risk or cash flow risk will be immaterial.

### (iii) PRICE RISK

The Group is exposed to fluctuations in pearl prices. This product is not traded as a commodity on an open market and as such the price risk cannot be hedged.

## 17.2 CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables. The Group considers the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are required to be settled in cash or using major credit cards, thus mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

All cash balances held at banks are held at internationally recognised institutions. The Australian Government has guaranteed all deposits held with Australian banks, cash held in Indonesia is not covered by this guarantee. The majority of other receivables held are with related parties and within the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

### Impairment of financial assets

The Group hold trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

### Trade receivables

The Group applies the AASB 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses have been grouped based on shared credit risk characteristics and the days past due.

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Major purchases are invoiced as cash on delivery (COD). Smaller accounts are provided 30-day credit terms and are usually paid by their due date.

On that basis, the loss allowance as at 30 June 2022 and 30 June 2021 was determined to be nil.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

	2022 \$	2021 \$
<b>TRADE RECEIVABLES</b>		
Existing customers with no previous defaults	72,437	417,389

### 17.3 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Management aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments such as term deposits that are highly liquid. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the un-drawn borrowing facilities below) and cash and cash equivalents (Note 8) on the basis of expected cash flows. This is generally carried out by the Senior Management and the Board of Directors on a Group basis. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and monitoring debt financing plans.

### 17.4 FINANCING ARRANGEMENTS

The Group had access to the following borrowing facilities at the reporting date.

	2022 \$	2021 \$
Overdraft facility (NAB)	1,500,000	1,500,000
NAB COVID-19 Loan	-	197,308
	<b>1,500,000</b>	<b>1,697,308</b>

- During the year ended 30 June 2022, the Company maintained the existing \$1.5M working capital overdraft facility with the National Australia Bank (NAB). The overdraft facility will be secured by a registered company charge over the Company's Assets. As at 30 June 2022 no amount had been drawn down on this facility, (30 June 2021: nil).
- On 27 August 2020, the Group entered into a new loan agreement with Boneyard Investments Pty Ltd (Boneyard) which replaced its Existing Loan Agreement and pursuant to which agreement, Boneyard has agreed to make a revolving loan facility available to Atlas Pearls:
  - The aggregate of all loans provided by Boneyard under the Facility will be an amount equal to \$4.5M, being the \$2.5M loan under the Existing Loan Agreement as well as an additional loan in the amount of \$2M.
  - Repayments are scheduled equally over four tranches commencing on 31 March 2021, with the last tranche due for repayment on 30 September 2022;
  - Loans provided under the Facility will bear interest at the rate of 7.5% per annum (which is identical to the interest provisions under the Existing Loan Agreement);
  - Subject to shareholder approval, all outstanding loans and interest under the New Loan Agreement will be convertible into shares in Atlas Pearls in the event Atlas Pearls defaults on its repayment terms, with conversion being at Boneyard's option. In that event, the conversion price per share will be at a 15% discount to the most recent 30 day VWAP.
  - On 23 June 2020 the Company deferred a principal loan repayment from the Boneyard facility. A repayment of \$1.125M originally due 31 March 2021 was split. A repayment of \$500k was made on 30 June 2021, with the remaining \$625k deferred until 30 October 2021. All other terms and conditions of the Varied Loan Agreement remain unchanged.
  - All scheduled repayments, on the Boneyard facility, during the period were repaid (30 September 2021: \$1.125M, 31 October 2021: \$625k, 31 March 2021: \$1.125M).
- On 11 June 2020, the Company received a \$250k loan from NAB. The loan was repayable over a three-year period at a variable interest rate. Payments were deferred for six months. On 8 June 2021 the Company elected to repay the loan balance before the due date and close the account.



## 17.5 MATURITIES OF FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

The table below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	30 JUNE 2022						30 JUNE 2021					
	LESS THAN 6 MONTHS	6 - 12 MONTHS	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSET)/ LIABILITIES	LESS THAN 6 MONTHS	6 - 12 MONTHS	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSET)/ LIABILITIES
<b>CONSOLIDATED ENTITY</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>NON-DERIVATIVES</b>												
Trade payables	450,214	-	-	-	450,214	450,214	396,017	-	-	-	396,017	396,017
Borrowings	1,125,000	-	-	-	1,125,000	1,125,000	1,799,148	1,174,231	1,225,194	-	4,198,573	4,198,573
Lease Liabilities	27,634	29,972	63,427	158,012	279,046	279,046	29,899	32,518	68,495	187,653	318,565	318,565
<b>TOTAL NON-DERIVATIVES</b>	<b>1,602,848</b>	<b>29,972</b>	<b>63,427</b>	<b>158,012</b>	<b>1,854,260</b>	<b>3,708,519</b>	<b>2,225,064</b>	<b>1,206,749</b>	<b>1,293,689</b>	<b>187,653</b>	<b>4,913,155</b>	<b>4,913,155</b>

### (A) FAIR VALUE HIERARCHY

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- inputs for the asset/liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2022 and 30 June 2021 on a recurring basis:

30 JUNE 2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	30 JUNE 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$		\$	\$	\$	\$
<b>ASSETS</b>					<b>ASSETS</b>				
Biological Assets	-	-	17,647,227	17,647,227	Biological Assets	-	-	17,244,177	17,244,177
<b>TOTAL ASSETS</b>	-	-	<b>17,647,227</b>	<b>17,647,227</b>	<b>TOTAL ASSETS</b>	-	-	<b>17,244,176</b>	<b>17,244,176</b>

### (B) VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 AND LEVEL 3 FAIR VALUES

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group is exposed to financial risk in respect of its involvement in primary production which consists of breeding and rearing of oysters for the purpose of producing pearls. The primary financial risk associated with this activity occurs due to the length of time between expenditure of cash in relation to the operation of the farm and the harvesting of the pearls and realisation of cash receipts from sales to third parties. The Group ensures that it maintains sufficient working capital to ensure that it can sustain its operation through any delays in cash flow that may be reasonably foreseen.

Level 3 analysis: The finance and operations departments undertake the valuation of the oysters. The calculations are considered to be level 3 fair values. The data is taken from internal management reporting work and work completed by the executive within the respective field teams to determine the material inputs in the model. The key production inputs are confirmed with the relevant executives and agree with the Board of Directors every six. These are listed in point (C) below.

- Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the period ended 30 June 2022 or 30 June 2021.

**(C) FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)**

The following table presents the changes in level 3 instruments for the period ended 30 June 2022:

	BIOLOGICAL ASSETS \$	TOTAL \$
<b>OPENING BALANCE 30 JUNE 2021</b>	<b>17,244,176</b>	<b>17,244,176</b>
Additions	663,517	663,517
Gains recognised through 'change in fair value'	2,599,074	2,599,074
Losses recognised through 'change in fair value'	(2,859,540)	(2,859,540)
<b>CLOSING BALANCE AT 30 JUNE 2022</b>	<b>17,647,227</b>	<b>17,647,227</b>

INPUT	2022	2021	COMMENTARY
Average selling price	¥11,250	¥10,457	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	¥93.79	¥83.12	Based on forward Yen price per a financial institution.
Average pearl size	0.43	0.45	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	38%	37%	Based on historical data for pearl grade over the last 12 months.
Discount rate	20%	20%	Based on analysis of comparable primary producers.
Mortality	Historical	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	\$1.76	\$1.69	Based on historical independent valuation.
Costs to complete	\$0.69	0.53	Based on historical averages of costs to complete and sell pearls per momme.

**(D) FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS**

The Group also has one financial instrument which is not measured at fair value in the statement of financial position with the following fair value as at 30 June 2022:

	2022 CARRYING AMOUNT	2022 FAIR VALUE	2021 CARRYING AMOUNT	2021 FAIR VALUE
Bank Loan	-	-	197,308	197,308
Debt Financing	1,125,000	1,125,000	4,000,000	4,000,000
<b>TOTAL NON-CURRENT BORROWING</b>	<b>1,125,000</b>	<b>1,125,000</b>	<b>4,197,308</b>	<b>4,197,308</b>

Due to their short-term nature, the carrying amounts of the current receivables, current payables and current borrowings are assumed to approximate their fair value.

# PART I – UNRECOGNISED ITEMS

## 18. Events occurring after the reporting period

There have been no significant events after balance date which require disclosure.

## 19. Commitments

Atlas Pearls had one bank guarantee with the National Bank of Australia (NAB) for a total of \$29,814 at 30 June 2022 (30 June 2021: \$129,696). This guarantee has been taken out to secure the rental of the Atlas Pearls corporate office in Subiaco, Western Australia.

## 20. Contingencies

The Company's historical tax affairs are regularly subject to audit by the Indonesian Tax Office and this process remains ongoing. There is a possibility that this review program may result in future tax liabilities in relation to prior year tax returns. All assessments received to date have been brought to account.

# PART J – OTHER

## 21. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 26.2.

NAME OF ENTITY	CLASS OF SHARES	PERCENTAGE OWNED	PERCENTAGE OWNED	PLACE OF INCORPORATION
		30 JUNE 2022	30 JUNE 2021	
Perl'Eco Pty Ltd	Ord	100%	100%	Australia
Tansim Pty Ltd	Ord	100%	100%	Australia
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia
P.T Disthi Mutiara Suci	Ord	100%	100%	Indonesia
PT Cahaya Bali	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia

The ultimate parent entity, Atlas Pearls Ltd, is incorporated in Australia

## 22. Related party transitions

### (A) SUBSIDIARIES

Interests in subsidiaries are set out in note 21.

### (B) KEY MANAGEMENT PERSONNEL

Detailed remuneration disclosures are provided in section 14.2

	2022 \$	2021 \$
Short-term employment benefits	962,664	679,610
Long-term employment benefits	12,692	-
Post-employment benefits	57,357	32,247
Share based compensation	29,839	76
	1,062,552	711,933

**(c) TRANSACTIONS WITH OTHER RELATED PARTIES**

	2022 \$	2021 \$
Director fees payable	5,417	3,750

In addition to the above, the Group incurs expatriate medical insurance expenses of \$10,543 (30 June 2021 : \$9,133)

**(D) LOANS FROM RELATED PARTIES**

Refer to Note 18.4 for detailed disclosures on financing arrangements. Loans detailed below are accounted for under current and non-current liabilities (see note 13).

	2022 \$	2021 \$
Beginning of the year	4,000,000	2,546,747
Loans advanced from	-	2,000,000
Principal repayments	(2,875,000)	(500,000)
Interest charged	184,777	299,795
Interest paid	(184,777)	(346,541)
<b>END OF YEAR</b>	<b>1,125,000</b>	<b>4,000,000</b>

**(E) CONTINGENT LIABILITIES RELATING TO JOINT VENTURES**

Each of the partners in World Senses Pty Ltd are jointly and severally liable for the debts of the joint venture. The assets of the joint venture do not exceed its' debts.

There have been no legal claims lodged against the joint ventures. The joint ventures do not have any contingent liabilities in respect of a legal claim lodged against the joint venture.

**23. Parent entity financial information****(A) SUMMARY FINANCIAL INFORMATION**

The individual financial statements for the parent entity show the following aggregate amounts:

	2022 \$	2021 \$
<b>STATEMENT OF FINANCIAL POSITION</b>		
Current assets	4,181,629	5,211,364
Total assets	16,645,451	20,249,956
Current liabilities	4,364,229	6,217,245
Total liabilities	4,555,013	5,657,854
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	36,857,417	36,857,417
<b>RESERVES</b>		
Share-based payment reserve	989,516	911,086
Accumulated losses	(26,627,963)	(26,692,966)
	<b>11,218,970</b>	<b>11,075,536</b>
<b>PROFIT FOR THE PERIOD</b>	<b>871,110</b>	<b>3,516,566</b>
<b>TOTAL COMPREHENSIVE PROFIT</b>	<b>871,110</b>	<b>3,516,566</b>

**(B) CONTINGENT LIABILITIES**

The parent entity did not have any contingent liabilities as at 30 June 2022 (30 June 2021: Nil). The parent entity did not provide financial guarantees during the year (30 June 2021: Nil).

## SIGNIFICANT ACCOUNTING POLICY

The financial information for the parent entity, Atlas Pearls, has been prepared on the same basis as the consolidated financial statements, except as set out below:

### Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Atlas Pearls and reviewed at each reporting period for impairment indicators.

### Share-based payments

The grant by the Company of ordinary shares to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 24. Share Based Payments and Options

### 24.1 EMPLOYEE SALARY SACRIFICE SHARE PLAN

At the Extraordinary General Meeting on 29 April 2022 it was resolved by the shareholders to approve the Atlas Pearls Ltd Employee Share and Incentive Plan ("Plan") and the issues of options to Executive Chairman, Mr G Newman. The Board adopted the Plan under which eligible participants may be granted options to acquire shares in the Company. The Directors consider that the Plan is an appropriate method to:

- (a) Reward Directors, Executives, and employees for their past performance
- (b) Provide long term incentives for participation in the Company's future growth
- (c) Motivate Directors, Executives, employees, and general loyalty; and
- (d) Assist to retain the services of valued Directors, Executives, and employees

The Plan will be used as part of the remuneration planning for Directors, Executives and employees. Under the Plan, participants are granted options which can only vest if share price increases are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or receive any guaranteed benefits.

The Corporate Governance Council Guidelines recommend that remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's circumstance and goals. The Board considers that the Plan will assist the Company in structuring the remuneration packages of its Executives in accordance with the guidelines.

An option which has not vested will immediately lapse upon the first to occur of:

- I. The expiry of the option period.
- II. If an eligible person's employment or engagement with the Company ceases because of an uncontrollable event, the last day of any period specified in clause 25(b); and
- III. If an eligible Person's employment or engagement with the Company ceases because of a controllable event, the last day of any period specified in clause 25(b), subject to clause 25(a).

### 24.2 OPTIONS ON ISSUE

The Group has the following equity compensation arrangements to remunerate Directors, Executives and employees of the Group;

- I. 16,205,663 Options granted to employees ("ESOP")

	ESOP		
	TRANCHE ONE	TRANCHE 2	TRANCHE 3
Grant date	24 May 2022	24 May 2022	24 May 2022
Vesting date	30 June 2022	30 June 2023	30 June 2024
Expiry date	30 September 2024	30 September 2024	30 September 2024
Options issued	2,796,311	4,194,474	9,214,878
Fair value at Grant date	\$0.065	\$0.070	\$0.075
Remaining at 30 June 2022	2,796,311	4,194,474	9,214,878

II. 2,552,392 Options granted to Atlas' Executive Chairman, Mr G Newman ("EC")

	EC		
	TRANCHE 1	TRANCHE 2	TRANCHE 3
Grant date	29 April 2022	29 April 2022	29 April 2022
Vesting date	30 June 2022	30 June 2023	30 June 2024
Expiry date	30 September 2024	30 September 2024	30 September 2024
Options issued	510,478	765,718	1,276,196
Remaining at 30 June 2022	510,478	765,718	1,276,196

### MEASUREMENT OF FAIR VALUE

The fair value at grant date is independently determined using a Hoadley Trading & Investment valuation model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

	ESOP			EC		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Fair value at grant date	\$0.0176	\$0.0180	\$0.0184	\$0.0208	\$0.0217	\$0.0222
Share price at grant date	\$0.042	\$0.042	\$0.042	\$0.047	\$0.047	\$0.047
Exercise Price	\$0.065	\$0.070	\$0.075	\$0.065	\$0.070	\$0.075
Volume weighted average	125%	133.3%	142.8%	125%	133.3%	142.8%
Expected Future Volatility	100%	100%	100%	100%	100%	100%
Risk Free Rate	2.53%	2.53%	2.53%	2.45%	2.45%	2.45%
Dividend Yield	Nil	Nil	Nil	Nil	Nil	Nil

### SHARES REMAINING AT YEAR END

The following options remain outstanding at year end.

	ESOP	EC
Balance at 30 June 2021	-	-
Granted during the period	16,205,663	2,552,392
Exercised during the period	-	-
Expired during the period	-	-
Forfeited during the period	-	-
<b>Balance at 30 June 2022</b>	<b>16,205,663</b>	<b>2,552,392</b>

The following share-based payment expenses were recognised to profit and loss.

	2022	2021
ESOP Options	15,246	-
EC Options	63,185	-
<b>Total Shared-Based Payment Expense</b>	<b>78,431</b>	<b>-</b>

The share-based payment expenses arising from the salary sacrifice share plan is nil as the plan does not give additional benefit to the employees as shares are issued in lieu of cash salary and cash bonus. The value of the shares originally issued to the trust is at the value sacrificed by the employee under the plan.

### SIGNIFICANT ACCOUNTING POLICY

The fair value of shares granted under the Employee Share Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date that the employee enters into the plan and is recognised over the period during which the employee becomes unconditionally entitled to the shares.

## 25. Remuneration of Auditors

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	30 JUNE 2022 \$	30 JUNE 2021 \$
<b>BDO AUSTRALIAN FIRM</b>		
Audit and review of financial reports	96,370	88,940
<b>BDO INDONESIAN FIRM</b>		
Audit and review of financial reports	52,562	41,411
Total remuneration for audit services	148,932	130,351
Other Services	-	3,945
Independent experts report	-	19,673
Total remuneration for other services	-	23,627

## 26. Accounting policies

### 26.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions [AASB 16], and
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139].

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 26.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls as at 30 June 2022 and the results of its subsidiaries for the period then ended. Atlas Pearls and its subsidiaries together are referred to in this financial statement as the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners.

## 26.3 FOREIGN CURRENCY TRANSLATION

### (A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the subsidiaries within the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Atlas Pearls functional and presentation currency.

### (B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

All foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within other income or other expenses unless they relate to financial instruments.

### (C) GROUP COMPANIES

The results and financial position of all Group entities (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings are repaid, a proportional share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

## 26.4 COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

## 26.5 IMPAIRMENT OF ASSETS

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 26.6 EMPLOYEE BENEFITS

### SHORT-TERM OBLIGATION

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

### WAGES AND SALARIES, ANNUAL LEAVE, SICK LEAVE, LONG SERVICE LEAVE AND SUPERANNUATION

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Liabilities due to be paid within 12 months of the reporting date are recognised in other payables. The liability for long service is recognised in the provision for employee benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.



## 26.7 PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

## 26.8 BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

## 26.9 FINANCIAL INSTRUMENTS

### CLASSIFICATION AND MEASUREMENT

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are, as follows:

Debt instruments at amortised cost, for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'SPPI criterion'. This category includes the Group's trade and other receivables and long-term loan receivable.

### IMPAIRMENT

The Group assesses, on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The loss allowance calculated for 30 June 2022 is \$nil due to past history with Customers who have never previously defaulted on amounts due.

For other debt financial assets including long term loan receivables, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

## 26.10 INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities have been brought to account after considering the level of tax losses carried forward and available to the Group against future taxable profits and the probability within the future that taxable profits will be available against which the benefits of the deductible temporary difference can be claimed.

## 26.11 LEASES LIABILITIES

The Group leases offices in Subiaco, West Australia and Sanur, Indonesia. As the leases are of real estate, the Group has elected not to separate the lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### **26.12 RIGHT OF USE ASSETS**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred. Low value assets comprise IT equipment and vehicles.

Leases relating to the farms in Indonesia have been recognised as right of use assets and are amortised over the life of the lease. There is no lease liability as the leases have all been prepaid on inception of the agreements.

#### **26.13 TRADE RECEIVABLES**

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the capture of the sales, settlement terms are either cash on delivery or 30 days from the date of invoice. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised costs using the effective interest method.

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:
- i give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of the performance for the year ended on that date; and
  - ii comply with Accounting Standards, and the *Corporations Act 2001* and other mandatory professional reporting requirements.
- (b) the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (e) the remuneration disclosures included in the Directors' Report (as part of audited remuneration report) for the year ended 30 June 2022 comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Geoff Newman - Chairman Perth, Western Australia  
30 August 2022

# ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 24 August 2022.

## (A) DISTRIBUTION SCHEDULE AND NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 24 AUGUST 2022

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares (ATP)	137	381	271	780	331	1,900

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 24 August 2022 is 890.

## (B) 20 LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 24 AUGUST 2022

The names of the twenty largest holders of fully paid ordinary shares (ASX code: ATP) as at 24 August 2022 are:

RANK	NAME	SHARES	% OF SHARES
1.	BONEYARD INVESTMENTS PTY LTD	54,907,327	12.83
2.	CHEMCO SUPERANNUATION FUND PTY LTD <CHEMCO SUPER FUND NO 2 A/C>	32,400,000	7.57
3.	CITICORP NOMINEES PTY LIMITED	29,920,744	6.99
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,133,741	5.41
5.	SP & K BIRKBECK HOLDINGS PTY LTD <SP & K BIRKBECK S/F A/C>	18,810,368	4.40
6.	JINGIE INVESTMENTS PTY LTD	17,880,240	4.18
7.	ABERMAC PTY LTD	17,833,333	4.17
8.	BNP PARIBAS NOMS PTY LTD <DRP>	9,134,051	2.13
9.	WESTWOOD PROPERTIES PTY LTD	8,000,000	1.87
10.	MORCKSTOW PTY LTD	7,000,000	1.64
11.	MR WESLEY RUTHERFORD + MRS SIAN RUTHERFORD <RUTHERFORD FAMILY S/F A/C>	6,000,000	1.40
12.	MR TINGYAO XU	5,469,509	1.28
13.	FIVE TALENTS LIMITED	5,120,000	1.20
14.	CHEMBANK PTY LIMITED <CABAC SUPER FUND A/C>	5,000,000	1.17
15.	MR PAUL MICHAEL BUTCHER	4,067,208	0.95
16.	MISS KRISTIE BIRKBECK	3,818,536	0.89
17.	QUEENSRIDGE INVESTMENTS PTY LTD <GLEESON SUPER FUND A/C>	3,549,072	0.83
18.	MR TIMOTHY JAMES MARTIN	3,540,883	0.83
19.	MS JENNIFER MICHELLE ROUGHAN	3,360,000	0.79
20.	MR PIERRE FALLOURD	3,311,206	0.77
	<b>TOTAL</b>	<b>262,256,218</b>	<b>61.29</b>

Stock Exchange Listing – Listing has been granted for 427,871,758 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

## (C) SUBSTANTIAL SHAREHOLDERS IN ATLAS PEARLS LIMITED AND THE NUMBER OF EQUITY SECURITIES OVER WHICH THE SUBSTANTIAL SHAREHOLDER HAS A RELEVANT INTEREST AS DISCLOSED IN SUBSTANTIAL HOLDING NOTICES PROVIDED TO THE COMPANY ARE LISTED BELOW;

NAME	SHARES	% VOTING POWER	DATE OF NOTICE
Boneyard Investments Pty Ltd & Associates *	114,944,995	27.09%	4 May 2015
Raintree Pearls & Perfumes Pty Ltd & Associates **	23,310,948	13.12%	8 June 2012

\*Includes shares held by Boneyard Investments Pty Ltd, Chemco Superannuation Fund Pty Ltd, Jingie Investments Pty Ltd, T. Martin, T. & W. Martin, J. Martin and J & B Martin.

\*\*Includes shares held by Raintree Pearls & Perfumes Pty Ltd and SP & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>.

## (D) UNQUOTED SECURITIES

The number of unquoted securities on issue as at 24 August 2022;

SECURITY	NUMBER ON ISSUE
Unlisted options exercisable at 6.5 cents on or before 30 June 22	3,306,789
Unlisted options exercisable at 7.0 cents on or before 30 June 23	4,960,192
Unlisted options exercisable at 7.5 cents on or before 30 June 24	10,491,074

## (E) HOLDER DETAILS OF UNQUOTED SECURITIES

All unquoted securities were issued under an employee incentive scheme. Therefore, no disclosure is required in relation to people that hold more than 20% of a given class of unquoted securities as at 24 August 2022.

## (F) RESTRICTED SECURITIES AS AT 24 AUGUST 2022

There were no restricted securities on issue as at 24 August 2022.

## (G) VOTING RIGHTS

All fully paid ordinary shares carry one vote per ordinary share without restriction.

## (H) ON-MARKET BUY-BACK

The Company is not currently performing an on-market buy-back.

## (I) CORPORATE GOVERNANCE

The Board of Atlas Pearls Ltd is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at <https://www.atlaspearls.com.au/corporate-governance-statement>

## INDEPENDENT AUDITOR'S REPORT

To the members of Atlas Pearls Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Atlas Pearls Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of Biological Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group’s biological assets, as disclosed in Note 4 to the financial report, was a key audit matter as the calculation of the fair value of the oysters requires significant estimates and judgements by management.</p> <p>The Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment.</p> <p>The Group have valued the biological assets at fair value less costs to sell. The valuation requires management’s judgement in relation to estimating the future selling prices, exchange rates, pearl size, portion of marketable grade, mortality, costs to complete and discount rate.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standards;</li> <li>• In conjunction with our valuation specialist, reviewing the accuracy and integrity of management’s fair value model and the discount rate used by management;</li> <li>• Counting a sample of oysters on hand at reporting date and agreeing this to the fair value model;</li> <li>• Assessing the key inputs contained within the fair value model, including the future selling prices, incorporating any potential impact of recent economic conditions, exchange rates, pearl size, portion of marketable grade, mortality and costs to complete; and</li> <li>• Evaluating the adequacy of the related disclosure in Note 4 to the financial report.</li> </ul>

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### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.





## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Atlas Pearls Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO

**Jarrad Prue**

**Director**

Perth

30 August 2022



# ATLAS PEARLS

## AUSTRALIA

### ASX HEAD OFFICE

26 Railway Road, Subiaco 6008, Perth Western Australia  
PO BOX: 248 Claremont, Perth, Western Australia 6904  
TEL.+61 8 9284 4249 EMAIL. Atlas@AtlasPearls.com.au

## INDONESIA

### HEAD OFFICE

Pertokoan Sanur Raya 18-19. Jl Bypass Ngurah Rai, Sanur, 80227 BALI  
TEL. 62 361 284455 EMAIL. Atlas@AtlasPearls.com.au

### FARM SITES

EAST JAVA, Banyu Biru

NORTH BALI, Penyabangan

FLORES, Labuan Bajo, Pungu Island

EAST NUSA TENGGARA, West Lembata

EAST NUSA TENGGARA, Lembata Bay

EAST NUSA TENGGARA, Alor Bay

RAJA AMPAT, Alyui Bay

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