



Appendix 4D

Current reporting period: half-year ended 31 December 2023
Previous corresponding period: half-year ended ended 31 December 2022

This information should be read in conjunction with Atlas Pearls' most recent Interim and Annual Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET

NAME OF ENTITY	ABN
Atlas Pearls Ltd	32 009 220 053

Key information		% Change	31 DECEMBER 2023 \$
Total revenue from contracts with customers	up	115% to	26,849,838
Profit from continuing operations after tax	up	452% to	20,409,700
Net profit attributable to the owners of Atlas Pearls Ltd	up	452% to	20,409,700
Dividends		Amount per share	Franked amount per share
Dividend per ordinary share in respect of 31 December 2023 financial period		0.015	0.0056
Net tangible assets per share		31 DECEMBER 2023	31 DECEMBER 2022
Net tangible assets per share		12.1 cents	6.4 cents

Entitles over which control has been gained or lost during the period

Name of entity	Place of Incorporation	Date of gain or loss of control	Details
Aspirasi Satria Sdn Bhd	Malaysia	16/09/2022	Deregistered (dormant company)

Information about the audit or review

This Appendix 4D is based on the attached half-year financial report which has been reviewed by the Group's auditors, BDO Audit (WA) Pty Ltd. A copy of BDO's unqualified review report can be found on page 25.

GEOFF NEWMAN

Chairman

Perth, Western Australia

29 February 2024

PO BOX 248, Subiaco, Perth Western Australia 6904

EMAIL. Atlas@AtlasPearls.com.au TEL. + 61 8 9284 4249 WEB. AtlasPearls.com.au

For personal use only

ATLAS

PEARLS

CONTENTS

Directors’ Report	3.
Auditors Independence Declaration	7.
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8.
Consolidated Statement of Financial Position	9.
Consolidated Statement of Changes in Equity	10.
Consolidated Statement of Cashflows	11.
Notes to the Consolidated Financial Statements	12.
Directors’ Declaration	24.
Independent Review Report	25.

DIRECTORS' REPORT

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 half-year ended 31 December 2023, referred to hereafter as, the Company, the Group, or Atlas Pearls.

1. Directors

The following were Directors of Atlas Pearls during the whole of the half-year and up to the date of this report, unless otherwise stated.

NAME	PERIOD OF DIRECTORSHIP
GEOFFREY NEWMAN, Chairman BEc (Hons), MBA, FCPA, FAICD	Chairman – 13/07/2022
	Executive Chairman – 01/10/2019
	Chairman – 16/02/2015
	Director – 15/10/2010
TIMOTHY MARTIN, Non-Executive Director BA, MBA, GAICD	Director – 04/02/2013
CADELL BUSS, Independent Non-Executive Director MBA, MPM, GAICD	Director – 01/02/2018
JOSÉ MARTINS, Independent Non-Executive Director BAcc, MAICD	Director – 17/05/2023

2. Review of operations

2.1 REVIEW OF OPERATIONS

The Company continues to deliver solid financial performance, achieving a net profit before tax of \$25M for the half-year ended 31 December 2023 (31 December 2022: \$4M), which includes an agricultural standard revaluation of \$9M.

This half-year has been one of great achievement and improvement for Atlas Pearls.

Operational highlights

Pearl production. The Company harvested 257,492 pearls during the period (31 December 2022: 225,470 pearls) maintaining our commitment to consistent and efficient production. The combined total of 1,916,342 juvenile and mature oysters increased by 12% over the prior period. Nucleated oyster stocks increased by 1%, reaching 1,353,707 at 31 December 2023.

Business initiatives

Atlas Pearls has reviewed and put in place several initiatives and started to work on upgrading several areas in the business:

Genetics project. The first stage of the genetics project is complete, implementing a breeding matrix to minimise the risk of inbreeding in all spawns. The second round of genetics sampling and sequencing is currently underway.

Broodstock conditioning system. Trials for a broodstock conditioning system in Lembata are progressing well, with a second under construction in North Bali.

Vessels. Finalisation of the new LCT vessel design has received Board approval, and construction is set to commence in H2 2023/24. Lightweight, honeycomb carbon fibre patrol boats ("foamies"), with reduced costs, and fuel consumption savings of up to 50%, are proving to be viable alternatives to the existing aluminium/fibreglass vessels, with Alor transitioning all security patrol boats to foamies.

Pyrolysis machine. The pyrolysis machine in Alyui is operational, contributing to our commitment to sustainable practices.

Data capture project. The data capture system has been embedded, with a focus on building automated reports in H2 2023/24.

Sumba land lease. Trial lines have been installed at Sumba, with stocking scheduled in the coming weeks.

Environmental, social and governance (ESG) reporting. Collaborating with ESG advisors, RSM, we have conducted a sustainability materiality assessment, and revamped budgeting and reporting processes. Baseline sustainability report data collection is underway, with proactive messaging planned for the coming year.

Performance metrics

Production. Key production measures have been consistently met, with a notable retention rate above our already high levels, allowing for expansion at existing and new (Sumba) locations.

Sales. The average sale price for the half-year ended 31 December 2023 increased to \$103/pearl, reflecting a 171% growth compared to the same period last year at \$38/pearl.

Pearl quality. The increases in quality that were indicated in the Company's November 2023 update have continued in recent harvests. While there is still some variation harvest to harvest, one harvest produced the highest quality score observed since October 2021.

Corporate initiatives

Workshops. Regular workshops have facilitated discussions about the business, fostering new perspectives and opportunities for improvement.

ERP Upgrade. A planned upgrade to the ageing ERP system will enable Atlas Pearls to leverage improved reporting capabilities, complemented by the data capture project noted above. The forthcoming deployment this quarter will unlock opportunities for optimising performance, streamlining process, and fostering sustainable growth.

Outlook

In 2024, the focus will be on enhancing HSE capabilities and capacity across the business. Initiatives aligned with the Five-Year Strategy, emphasising hatchery plans, business improvements, and growth, will be executed.

The current industry upswing and the associated outstanding positive financial results provide an opportunity to plan strategically for the future, while maintaining our unwavering focus on delivering the finest South Sea Pearls at the lowest production cost.

3. *Financial result*

The Group net profit before tax for the period ended 31 December 2023 is \$25M, compared to a \$4M in the prior comparative period. The operating revenue for the half-year was \$27M, an increase of 115% over the same period last year, and on par (99%) with the FY2023 full-year operating revenue.

To provide a better understanding of operating performance, Atlas Pearls has adopted the use of Normalised Earnings Before Interest, Tax, Depreciation, and Amortisation (Normalised EBITDA) as a more refined and effective metric for reporting comparative results. This approach offers a clearer and standardised perspective on our financial performance, facilitating a more insightful assessment of business performance.

	6 MONTHS ENDED 31 DEC 23	6 MONTHS ENDED 31 DEC 22
Pearls sold	254,655	320,910
Average \$/pearl	\$103	\$38
Total revenue from contracts with customers	26,849,838	12,517,295
Net profit after tax (NPAT)	20,409,700	3,694,966
Normalised earnings before interest, taxes, depreciation, and amortisation (Normalised EBITDA)	16,743,210	3,903,462

The adjustments from NPAT to arrive at reported Normalised EBITDA for the half-year are shown below:

	6 MONTHS ENDED 31 DEC 23	6 MONTHS ENDED 31 DEC 22
Net profit after tax	20,409,700	3,694,966
Tax expense/(benefit)	5,024,924	329,075
Interest (income)/expense	(65,320)	60,598
Depreciation and amortisation	126,099	149,827
Foreign exchange (gain)/loss	685,735	104,867
Agriculture standard revaluation (gain)/loss	(9,442,517)	(435,871)
Other non-operating (income)/expense	4,589	-
NORMALISED EBITDA	16,743,210	3,903,462

3.1 FINANCIAL POSITION

Cash reserves have increased to \$20.8M at 31 December 2023 (30 June 2023: \$7.8M).

Oyster asset values have increased to \$29M during the six months ended 31 December 2023 (30 June 2023: \$20.3M). The quantity of seeded oysters on hand has remained consistent.

The number of pearls on hand has decreased from 119,756 at 30 June 2023 to 100,038 at 31 December 2023 and consequently, the value has decreased to \$2.5M (30 June 2023: \$3.0M).

The Company's net tangible assets per share is 12.1 cents per share at 31 December 2023, which has increased from the position at 30 June 2023 of 8.0 cents per share. The number of shares on issue at 31 December 2023 is 428,845,495 (30 June 2023: 427,871,758), with new share issues attributable to the exercise of employee options.

4. Dividends

In view of the positive earnings reported for the half-year ended 31 December 2023, the Board has resolved to declare a special dividend of 1.5 cents per share (franked to 37%). The record date is 8 March 2024 with a payment date of 22 March 2024.

For the comparative half-year, no dividends were declared or paid. A special dividend of 0.35 cents (franked to 100%) was declared on 30 August 2023 and paid on 26 September 2023.

The Board has not formulated a dividend policy due to the inherent uncertainties of aquaculture, the need to fund future operating costs between sales events, and the cyclical swings typical in the luxury goods market. The board will continue to evaluate a dividend policy, as and when favourable market circumstances allow.

Key dates:

- Record date for determining entitlement to special dividend: 8 March 2024
- Date the special dividend is payable: 22 March 2024

5. Events occurring after the reporting period

Share Issues

Since the end of the reporting period, the Company has issued 3,829,692 shares upon exercise of options issued under the Atlas Pearls Ltd Employee Share and Incentive Plan.

Dividends

On 29 February 2024, the Company declared an unfranked special dividend of 1.5 cents per share (franked to 37%). The total value of the payment is \$6.5M. The record date is 8 March 2024 with a payment date of 22 March 2024.

Other than the payment of a special dividend, there have been no other significant events after balance date which require disclosure.

6. *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 7. Signed in accordance with a resolution of the Directors.



GEOFF NEWMAN

Chairman

29 February 2024

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

As lead auditor for the review of Atlas Pearls Limited for the half-year ended 31 December 2023, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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
29 February 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
Revenue from contracts with customers	3	26,849,838	12,517,295
Cost of goods sold		(6,143,765)	(5,397,902)
GROSS PROFIT		20,706,073	7,119,393
Other income		169,493	140,898
Administration expenses	5	(3,702,910)	(2,908,248)
Finance costs		(19,405)	(66,343)
Marketing expenses		(223,807)	(258,776)
Change in fair value less husbandry costs of oysters	4	9,442,517	435,872
Other expenses		(937,337)	(438,755)
PROFIT/(LOSS) BEFORE INCOME TAX		25,434,624	4,024,041
Income tax benefit/(expense)	8	(5,024,924)	(329,075)
PROFIT AFTER INCOME TAX FOR THE PERIOD		20,409,700	3,694,966
OTHER COMPREHENSIVE INCOME/(LOSSES)			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		(1,299,269)	(759,925)
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX		(1,299,269)	(759,925)
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD		19,110,431	2,935,041
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		20,409,700	3,694,966
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		19,110,431	2,935,041
Overall operations:			
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings profit per share (cents)	6	4.80	0.87
Diluted earnings per share (cents)	6	4.62	0.84

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

	NOTE	31 DEC 2023 \$	30 JUN 2023 \$
CURRENT ASSETS			
Cash and cash equivalents		20,829,888	7,845,286
Trade and other receivables		612,153	300,619
Inventories	7	3,067,681	3,319,854
Biological assets	4	11,960,800	8,916,104
TOTAL CURRENT ASSETS		36,470,522	20,381,863
NON-CURRENT ASSETS			
Biological assets	4	17,213,788	11,340,618
Property, plant and equipment		7,046,148	6,928,730
Right-of-use assets		520,537	617,588
Deferred tax assets	8	1,703,519	797,111
TOTAL NON-CURRENT ASSETS		26,483,992	19,684,047
TOTAL ASSETS		62,954,514	40,065,910
CURRENT LIABILITIES			
Trade and other payables		73,010	757,374
Provisions		2,913,468	2,971,185
Borrowings		314,675	-
Lease liabilities		-	63,572
Current tax liabilities	8	2,678,816	124,098
TOTAL CURRENT LIABILITIES		5,979,969	3,916,229
NON-CURRENT LIABILITIES			
Lease liabilities		73,039	159,559
Deferred tax liabilities	8	5,061,770	1,860,885
Provisions		45,510	45,186
TOTAL NON-CURRENT LIABILITIES		5,180,319	2,065,630
TOTAL LIABILITIES		11,160,288	5,981,859
NET ASSETS		51,794,226	34,084,051
EQUITY			
Contributed equity	9	36,923,328	36,857,415
Reserves		(9,012,568)	(7,744,682)
Retained earnings/(accumulated losses)		25,381,018	4,971,318
Dividends paid		(1,497,552)	-
TOTAL EQUITY		51,794,226	34,084,051

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of Atlas Pearls					
	Contributed equity \$	Revaluation reverse \$	Employee share reserve \$	Foreign currency reserve \$	Retained earnings/ (accumulated losses) \$	Total equity \$
BALANCES AT 1 JULY 2023	36,857,415	179,179	1,164,841	(9,088,702)	4,971,318	34,084,051
PROFIT FOR THE PERIOD	-	-	-	-	20,409,700	20,409,700
Exchange differences on translation of foreign operations	-	-	-	(1,299,269)	-	(1,299,269)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	-	(1,299,269)	20,409,700	19,110,431
Contributions of equity, net of transaction costs	65,913	-	-	-	-	65,913
Employee share scheme	-	-	31,383	-	-	31,383
Dividends paid	-	-	-	-	(1,497,552)	(1,497,552)
BALANCE AT 31 DECEMBER 2023	36,923,328	179,179	1,196,224	(10,387,971)	23,883,466	51,794,226
BALANCES AT 1 JULY 2022	36,857,415	179,179	989,514	(9,534,846)	(4,116,426)	24,374,836
PROFIT FOR THE PERIOD	-	-	-	-	3,694,966	3,694,966
Exchange differences on translation of foreign operations	-	-	-	(759,925)	-	(759,925)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	-	(759,925)	3,694,966	2,935,041
Employee share scheme	-	-	77,243	-	-	77,243
BALANCE AT 31 DECEMBER 2022	36,857,415	179,179	1,066,757	(10,294,771)	(421,460)	27,387,120

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 MONTHS ENDING 31 DEC 23 \$	6 MONTHS ENDING 31 DEC 22 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from pearl and jewellery sales	26,451,378	12,160,423
Proceeds from pearl by-product sales	511,372	281,393
Payments to suppliers and employees	(11,917,752)	(9,655,634)
Income tax paid	(238,862)	(300,816)
Interest paid	(146)	(44,281)
Interest received	84,725	5,745
Net cash inflow from operating activities	14,890,715	2,446,830
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,011,099)	(1,047,523)
Net cash outflow from investing activities	(1,011,099)	(1,047,523)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(439,087)	(1,537,684)
Proceeds from borrowings	679,019	687,806
Repayment of the lease liabilities	(27,913)	(94,759)
Dividends paid	(1,497,552)	-
Proceeds from the issue of shares	65,914	-
Net cash outflow from financing activities	(1,219,619)	(944,637)
Net increase in cash and cash equivalents	12,659,997	454,670
Cash and cash equivalents at the beginning of the period	7,845,286	2,995,131
Effects of exchange rate changes on cash and cash equivalents	324,605	(142,155)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	20,829,888	3,307,646

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Basis of preparation*

1.1 BASIS OF PREPARATION OF HALF-YEAR REPORT

The consolidated financial report for the half-year reporting period ended 31 December 2023 has been prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standard AASB 134 Interim Financial Reporting.

The half-year consolidated financial report does not include all notes normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual report for the period ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Group has not elected to early adopt any new standards or amendments.

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.

The operating segments are identified by management based on the location in which the product is sold, whether in 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.

1.2 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also required 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 the 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 statement are detailed below:

- a) Determination of market value of biological assets - see note 4

2. Segment reporting

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 period ended 31 December 2023 is as follows:

31 DECEMBER 2023	LOOSE PEARLS		
	AUSTRALIA	INDONESIA	TOTAL
Total segment revenue	26,168,082	11,027,218	37,195,300
Inter-segment revenue	-	(10,345,462)	(10,345,462)
REVENUE FROM EXTERNAL CUSTOMERS	26,168,082	681,756	26,849,838
TIMING OF REVENUE RECOGNITION			
At a point in time	26,168,082	681,756	26,849,838
Over time	-	-	-
	26,168,082	681,756	26,849,838
NORMALISED EBITDA	15,498,555	1,244,656	16,743,210
ADJUSTED NET OPERATING PROFIT BEFORE INCOME TAX	15,495,855	1,181,988	16,677,843
TOTAL SEGMENT ASSETS			
31 DECEMBER 2023	18,767,412	42,483,582	61,250,994
30 June 2023	7,651,584	31,616,644	39,268,228
TOTAL SEGMENT LIABILITIES			
31 DECEMBER 2023	(719,837)	(2,312,150)	(3,031,987)
30 June 2023	(628,574)	(3,145,171)	(3,773,745)

- (i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 31 December 2022 is as follows

31 DECEMBER 2022	LOOSE PEARLS		
	AUSTRALIA	INDONESIA	TOTAL
Total segment revenue	12,141,382	8,659,668	20,801,050
Inter-segment revenue	-	(8,283,755)	(8,283,755)
REVENUE FROM EXTERNAL CUSTOMERS	12,141,382	375,913	12,517,295
TIMING OF REVENUE RECOGNITION			
At a point in time	12,141,382	375,913	12,517,295
Over time	-	-	-
	12,141,382	375,913	12,517,295
NORMALISED EBITDA	3,365,299	538,162	3,903,461
ADJUSTED NET OPERATING PROFIT BEFORE INCOME TAX	2,669,961	1,023,076	3,693,037
TOTAL SEGMENT ASSETS			
31 DECEMBER 2022	3,419,550	28,626,819	32,046,369
30 June 2022	2,725,788	28,384,771	31,110,559
TOTAL SEGMENT LIABILITIES			
31 DECEMBER 2022	(466,913)	(2,536,556)	(3,003,469)
30 June 2022	(479,227)	(3,092,214)	(3,571,441)

2.2 OTHER SEGMENT INFORMATION

(i) Adjusted net operating profit

The Board of Directors and the management team review monthly 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 expenses 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 before income tax is provided as follows:

	6 MONTHS ENDED 31 DEC 2023	6 MONTHS ENDED 31 DEC 2022
NET OPERATING PROFIT/(LOSS) BEFORE TAX	16,677,843	3,693,036
Changes in fair value of biological and agricultural assets	9,442,517	435,871
Foreign exchange gains	87,952	136,710
Foreign exchange losses	(773,688)	(241,576)
TOTAL PROFIT/(LOSS) BEFORE INCOME TAX FROM OPERATIONS	25,434,624	4,024,041

(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:

	31 DEC 2023 \$	30 JUN 2023 \$
SEGMENT ASSETS	61,250,994	32,046,369
Unallocated:		
Joint Venture Loans	-	588
Deferred tax assets	1,703,519	846,514
TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION	62,954,513	32,893,471

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$179,184 (30 June 2023: \$703,964). The total located in Indonesia is \$9,259,425 (30 June 2023: \$15,590,296).

(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:

	31 DEC 2023 \$	30 JUN 2023 \$
SEGMENT LIABILITIES	3,031,987	3,773,745
Unallocated:		
Current tax liabilities	2,678,816	124,098
Borrowings	387,713	-
Lease liabilities	-	223,131
Deferred tax liabilities	5,061,770	1,860,885
TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION	11,160,286	5,981,859

3. *Revenue from contracts with customers*

	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
SALES REVENUE		
Sale of goods	26,849,838	12,517,295
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	26,849,838	12,517,295

4. *Biological assets*

	31 DEC 2023 \$	30 JUN 2023 \$
CURRENT		
Oysters - at fair value	11,960,800	8,916,104
TOTAL CURRENT BIOLOGICAL ASSETS	11,960,800	8,916,104
NON-CURRENT		
Oysters – at fair value	17,213,788	11,340,618
TOTAL CURRENT BIOLOGICAL ASSETS	17,213,788	11,340,618
TOTAL BIOLOGICAL ASSETS	29,174,588	20,256,722

During the six months ended 31 December 2023, no significant events occurred which impacted on oyster mortalities (31 December 2022: none).

There is a fair value adjustment uplift of \$9.4M at 31 December 2023 (31 December 2022: \$0.4M) as a result of the oyster valuation review conducted (refer note 10).

In the current reporting period, management has introduced changes to the methodology used in calculating the fair value of oysters.

Previously, future pearl quality was forecast based on the weight and category of pearls harvested in the prior 12-month period. Recognising the inherent volatility and cyclical nature of harvest quality, an alternative predictor of future pearl quality has been identified, where management model various future pearl quality scenarios, expressed as an average index score, calculated with reference to each element of the grading assessment (size, colour, shape, and grade). This metric compares harvest quality between sites over time independent of market demand. Management then exercises judgement to determine the most likely scenario over the next two years, and subsequently applies it in the valuation model.

Additionally, the previous methodology calculated future revenues based on forecasted JPY per momme for projected harvested pearls. In response to the shift in our main trading currency to USD, management has opted to calculate revenue based on USD per pearl.

All other assumptions integral to the fair valuation calculation of oysters remain unchanged.

4.1 KEY PRODUCTION ASSUMPTIONS

INPUT	31 DEC 2023	30 JUN 2023	31 DEC 2023 ASSUMPTIONS	30 JUN 2023 ASSUMPTIONS
Average selling price per pearl	US \$46²	¥15,518 per momme ¹	Based on sales prices achieved over prior three reporting periods	Based on sales prices achieved over prior three reporting periods
USD exchange rate	US\$ 0.74	N/A	Based on the forward USD price per a financial institution	N/A
Yen exchange rate	N/A	¥95.97 ¹	N/A	Based on the forward JPY price per a financial institution
Average pearl size	N/A	0.38 ¹	N/A	Based on harvest results achieved over prior five reporting periods
Proportion of marketable grade	N/A	34% ¹	N/A	Based on harvest results achieved over prior five reporting periods
Discount rate	20%	20%	No change to prior period	Based on analysis of comparable primary producers
Mortality	15%	16%	Based on current harvest mortality rates	Based on current harvest mortality rates
Average unseeded oyster value	\$1.68	\$1.91	Based on historical independent valuation	Based on historical independent valuation
Costs to complete	\$0.87	\$0.59	Based on current average	Based on current average

¹Based on the previous M2M model.

²Based on established correlation between historical average index scores and pricing matrix over previous 3 reporting periods factoring in pearl quality. Presented in USD in the current model as sales are mostly in USD.

5. Profit before income tax includes the following specific items

5.1 ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
Salaries and wages	2,415,964	1,954,141
Depreciation property, plant and equipment	97,704	103,663
Amortisation of intangible assets	-	10,332
Depreciation on right-of-use assets	28,396	35,831
Occupancy costs	130,250	68,793
Compliance and accounting	222,746	162,870
Travel	297,812	153,215
Other	510,038	419,403
TOTAL ADMINISTRATION EXPENSES	3,702,910	2,908,248

6. Earnings per share

	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
Basic earnings/(loss) per share (cents)	4.80	0.87
Diluted earnings per share (cents)	4.62	0.84

6.1 EARNINGS RECONCILIATION

	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
Net profit for basic earnings	20,409,700	3,694,966
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	424,898,416	424,809,620
Adjustments for calculation of diluted earnings per share	17,159,449	16,187,502
Weighted average number of potential ordinary shares outstanding during the period used for calculation of diluted earnings per share	442,057,865	440,997,122

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 31 December 2023 as potential ordinary shares, which may have a dilutive effect on the profit of the Group. Ordinary shares issued to employees under the Atlas Pearls Ltd Employee Share and Incentive 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.

7. Inventories

	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
CURRENT		
Pearls	2,542,641	3,017,706
Jewellery	525,040	302,148
TOTAL CURRENT INVENTORY	3,067,681	3,319,854

SIGNIFICANT JUDGEMENT

Pearl inventory is held at the lower of cost or 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.

8. Tax

8.1 INCOME TAX EXPENSE

	6 MONTHS ENDING 31 DEC 2023 \$	6 MONTHS ENDING 31 DEC 2022 \$
(A) THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:		
Current tax	2,743,742	474,957
Deferred tax	2,471,773	314,179
Prior period (over) provision	(190,590)	(162,994)
INCOME TAX EXPENSE	5,024,924	626,145
(B) DEFERRED INCOME TAX (REVENUE) EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES:		
Decrease/(increase) in deferred tax assets (excluding tax losses)	(906,408)	56,997
Decrease/(increase) in opening balances	177,296	94,188
(Decrease)/increase in deferred tax liabilities	3,200,885	162,994
DEFERRED TAX EXPENSE/(BENEFIT)	2,471,773	314,179
(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE:		
Profit/(loss) before income tax expense	25,434,624	9,713,889
Tax at the Australian tax rate of 30% (30 June 2023: 25%)	(7,630,387)	2,428,471
Utilisation of tax losses not previously recognised	(2,162,339)	(1,630,842)
Tax effect of amounts which are not deductible in calculating taxable income	(443,123)	(171,484)
INCOME TAX EXPENSE/(BENEFIT)	5,024,924	626,145

9. Contributed equity

	31 DEC 2023 No.	30 JUN 2023 No.	31 DEC 2022 No.	30 JUN 2022 No.
Issued and fully paid-up capital	425,783,357	424,809,620	36,923,329	36,857,415
ORDINARY SHARES				
Balance at beginning of period	424,809,620	424,809,620	36,857,415	36,857,415
Shares issued	973,737	-	65,914	-
Share transaction costs	-	-	-	-
BALANCE AT END OF PERIOD	425,783,357	424,809,620	36,923,329	36,857,415
TREASURY SHARES				
Balance at beginning of period	3,062,138	3,062,138		
Shares released	-	-		
BALANCE AT END OF PERIOD	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 half-year ended 31 December 2023 (30 June 2023: Nil).

10. Fair value measurement of financial instruments

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 or 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 31 December 2023 and 30 June 2023 on a recurring basis:

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
31 DECEMBER 2023				
ASSETS				
Biological Assets	-	-	29,174,589	29,174,589
TOTAL ASSETS	-	-	29,174,589	29,174,589
30 JUNE 2023				
ASSETS				
Biological Assets	-	-	20,256,723	20,256,723
TOTAL ASSETS	-	-	20,256,723	20,256,723

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.

The Group is exposed to financial risk in respect of its involvement in primary production, which consists of breeding and rearing 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 as the significant inputs used in the model are not based on observable market data. 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 inputs are confirmed with the relevant executives and agreed with the Board of Directors every six months. These are listed in point c) below.

(i) 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 six months to 31 December 2023. There were also no changes made to any of the valuation techniques applied as of 30 June 2023.

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

The following table presents the changes in level 3 Instruments for the half-year ended 31 December 2023:

	31 DEC 2023 \$	30 JUN2023 \$
Changes in fair value of oyster stock		
OPENING BALANCE AT 1 JULY 2023	20,256,723	17,647,227
Due to new stock	2,256,572	2,868,438
Due to mortalities	(1,962,095)	(3,988,080)
Due to ageing	5,295,400	5,248,493
Due to harvests	(2,731,186)	(5,935,534)
Due to price changes	6,059,589	4,416,179
CLOSING BALANCE AT 31 DECEMBER 2023	29,174,589	20,256,723

D) 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		
Pearl Quality Scenario	18%	20%	22%
Very Low	(7,916,045)	8,250,076	(8,570,510)
Low	3,844,095	4,268,253	(4,675,049)
Medium	505,207	-	(484,539)
High	6,631,637	5,998,549	5,391,390
Very High	10,427,225	9,707,468	9,017,307

	AVERAGE SELL PRICE		
Pearl Quality Scenario	-10%	No change	+10%
Very Low	(11,614,189)	(8,250,076)	(4,885,962)
Low	(8,030,549)	(4,268,253)	(505,958)
Medium	(4,189,121)	-	4,189,121
High	1,209,573	5,998,549	10,787,525
Very High	4,547,600	9,707,468	14,867,336

	FX RATE		
Pearl Quality Scenario	-10%	No change	+10%
Very Low	(11,614,189)	(8,250,076)	(4,885,962)
Low	(8,030,549)	(4,268,253)	(505,958)
Medium	(4,189,121)	-	4,189,121
High	1,209,573	5,998,549	10,787,525
Very High	4,547,600	9,707,468	14,867,336

11. *Share based payments and options*

A) EMPLOYEE SHARE PLAN

The Atlas Pearls Ltd Employee Share and Incentive Plan (Plan or ESOP) was approved by shareholders on 29 April 2022. Under the Plan, 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 generate 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. Participants are granted options which can only vest if specific performance hurdles 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:

- a) The expiry of the option period;
- b) If an eligible person's employment or engagement with the Company ceases because of an uncontrollable event, six months (or such other period as the Board will in its absolute discretion determine) from the date on which the eligible person ceased that employment or engagement; or
- c) If an eligible Person's employment or engagement with the Company ceases because of a controllable event, the last day of any period specified.

B) OPTIONS ON ISSUE

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

- a) 4,000,000 options were granted to Michael Ricci, Chief Executive Officer during the half-year ended 31 December 2023 (31 December 2022: nil).
- b) There were no options granted to non-key management personnel during the half-year ended 31 December 2023 (31 December 2022: nil).

C) MEASUREMENT OF FAIR VALUE

The fair value of options granted during the half-year was \$145,200 (31 December 2022: nil). The fair value at grant date is independently determined using a Hoadley Trading & Investment valuation model, applying the following inputs:

	ESOP		
	TRANCHE 1	TRANCHE 2	TRANCHE 3
Grant date	15 November 2023	15 November 2023	15 November 2023
Vesting date	30 June 2024	30 June 2025	30 June 2026
Expiry date	30 September 2026	30 September 2026	30 September 2026
Options issued	800,000	1,200,000	2,000,000
Exercise price	\$0.085	\$0.091	\$0.097
Share price at grant date	\$0.12	\$0.12	\$0.12
Fair value at grant date	\$0.035	\$0.036	\$0.037
Expected future volatility	85%	85%	85%
Risk free rate	4.17%	4.17%	4.17%
Dividend yield	Nil	Nil	Nil

D) OPTIONS REMAINING AT BALANCE DATE

A summary of the movements of all option issues is as follows:

	6 MONTHS ENDING 31 DEC 2023 No	6 MONTHS ENDING 31 DEC 2022 No
OPENING BALANCE AT 1 JULY 2023	17,808,068	18,758,055
Granted during the period	4,000,000	-
Exercised during the period	(973,737)	-
Expired during the period	-	-
Forfeited during the period	(1,413,803)	-
CLOSING BALANCE AT 31 DECEMBER 2023	19,420,528	18,758,055

The weighted average remaining contractual life of options outstanding at 31 December 2023 was 0.79 years (30 June 2023: 1.17 years / 31 December 2022: 1.64 years). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.076 (30 June 2023: \$0.074 / 31 December 2022: \$0.072).

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

	31 DEC 2023 \$	31 DEC 2022 \$
ESOP Options	24,809	63,509
Executive Chairman (EC) Options	6,574	13,734
Total Shared-Based Payment Expense	31,383	77,243

There were no equity-settled share-based payment transactions during the period (31 December 2022: nil).

SIGNIFICANT ACCOUNTING POLICY

The fair value of shares granted under the Employee Share and Incentive 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.

12. Contingencies and Commitments

There have been no changes to contingencies or commitments from those disclosed in June 2023.

13. Related party transactions

There have been no new related party transactions, other than 4,000,000 options granted to Michael Ricci, Chief Executive Officer, on 15 November 2023. Refer to note 11 for details.

14. Dividends

In view of the positive earnings reported for the half-year ended 31 December 2023, the Board has resolved to declare a special dividend of 1.5 cents per share (franked to 37%). For the comparative half-year, no dividends were declared or paid. A special dividend of 0.35 cents (franked to 100%) was declared on 30 August 2023 and paid on 26 September 2023.

The Board has not formulated a dividend policy due to the inherent uncertainties of aquaculture, the need to fund future operating costs between sales events, and the cyclical swings typical in the luxury goods market. The board will continue to evaluate a dividend policy, as and when favourable market circumstances allow.

Key dates:

- Record date for determining entitlement to special dividend: 8 March 2024
- Date the special dividend is payable: 22 March 2024

15. Events occurring after the reporting period

Share Issues

Since the end of the reporting period, the Company has issued 3,829,692 shares upon exercise of options issued under the Atlas Pearls Ltd Employee Share and Incentive Plan.

Dividends

On 29 February 2024, the Company declared an unfranked special dividend of 1.5 cents per share (franked to 37%). The total value of the payment is \$6.5M. The record date is 8 March 2024 with a payment date of 22 March 2024.

Other than the payment of a special dividend, there have been no other significant events after balance date which require disclosure.

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:
 - a. give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of the performance for the period ended on that date; and
 - b. 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 Financial Reporting Standards.
- c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.
- d) 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) 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
29 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atlas Pearls Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Atlas Pearls Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 29 February 2024