



23 April 2024

Kobe Auction Result and March Quarter Sales Update

Atlas Pearls Ltd (ASX: ATP) (“Atlas Pearls” or “the Company”) is pleased to provide an update on a recent auction at Kobe and a report on its sales results for the quarter ended 31 March 2024.

Highlights for Q3 FY24 and YTD post Kobe Auction:

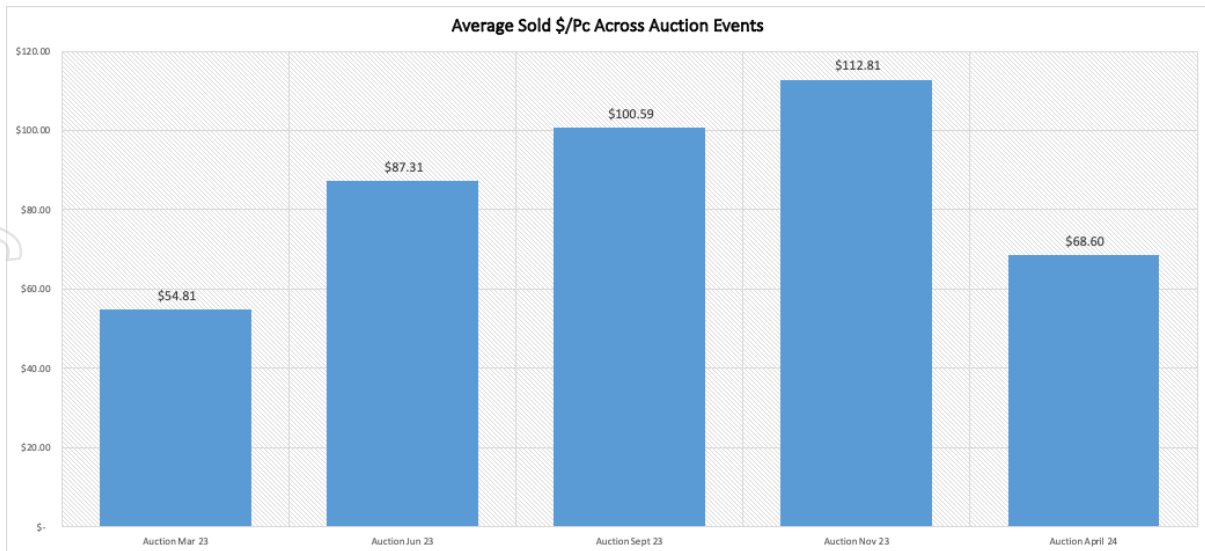
- Kobe auction in April 2024 realised sales of 68,786 pieces at \$68.60/piece. (Revenue \$4.7m).
- Cash position post auction close of \$16.5m (as at April 19th 2024).
- Sales Strategy pivots in response to market dynamics.
- Total March YTD Revenue up 72% (year on year) to \$29.7M – note no major auction in Q3 FY24 vs Q3 FY23.
- Quality Index of pearls produced continues to improve.

Kobe Auction April 2024

The Company recently conducted an auction in Kobe Japan where 104,000 pearls were offered for sale. In the processing of reviewing bids, the Company formed the view that the prices submitted did not reflect the true worth of the goods being offered. The Company therefore chose to accept bids for only 68,786 pearls at an average price of \$68.60 per piece for total revenue of \$4.66m. While this is below the unprecedented high of \$112/piece achieved at the November 2023 auction and it was above the pricing of auctions prior to FY23.

It should be noted that analysis of the results and bids at this most recent auction indicates that the price achieved for A grade pearls, through this series of auctions below, was higher than all auctions except November 2023, so the demand for high quality goods is still present. It was the lower volume grades where price decreases were seen. This gives the Company the opportunity to look at other channels to add value in the coming months.

A graph showing the average price per piece across all auction events for each quarter since March 2023 is shown below.



Sales strategy pivot and potential impact on 2023/24 revenue

In the ASX announcement dated 5 December 2023, the Company noted that it expects the number of loose pearls produced over the financial year to 30 June 2024 (“FY24”) to be in line with the number of loose pearls produced in the 30 June 2023 financial year (“FY23”). It was also noted that the timing of sales events will determine the number of loose pearls sold in the second half, and until pearls are harvested, graded and sold, it is not possible to predict full year revenue.

That broad guidance remains correct, but the Company is aware that there are forecasts of sales and financial outcomes available on public investor forums which assume that sales in FY24 will be roughly in line with production. While that might have been a reasonable assumption in the past, Atlas Pearls is now in a much better financial position than it was a year ago and hence there has been a change in how pearls are being sold.

At past auctions the Company sold the majority of its product on offer, however, given the Company’s strengthened financial position, Atlas Pearls now has the option to adjust this historical practice and when market conditions result in some bids at auction not reflecting value for some products, Atlas Pearls is now able to retain the stock and focus on other sales channels that may offer higher returns.

In the short term, this may result in the Company not selling as many pearls in FY24 as originally planned but the inventories of products available for sale will increase and carry over into the next financial year. The Company plans to sell more products into other sales channels to maximise their value and build sales volume outside the auction mechanism. This reinforces pursuit of the Company’s sales strategy to be a multi-channel sales company that maximises the value of every pearl produced.

Sales Results YTD 31 March 2024

The 31 March 2024 quarter (“March Quarter”) was a relatively quiet period from a sales perspective, with no major auctions.

As can be seen from the sales comparisons below, on a YTD basis the Company continues to perform well from a revenue and average \$ per piece compared to FY23.

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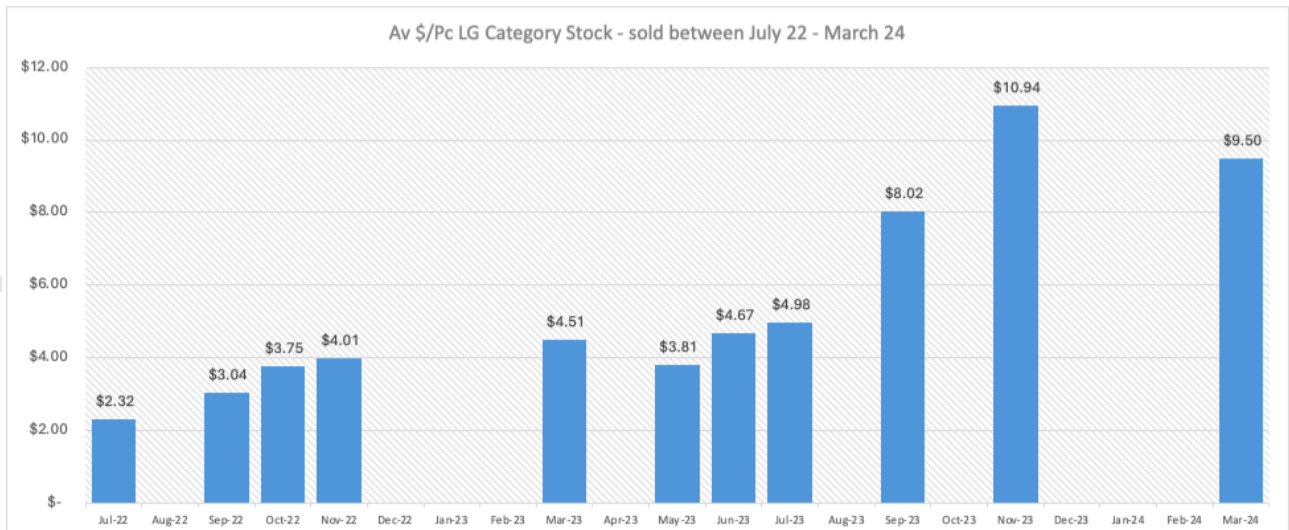
	H1 FY24	H1 FY23	Movement	FYTD FY24	FYTD FY23	Movement	March Qtr FY24
Total Pearls Sold	254,655	320,910	-21%	322,373	399,972	-19%	67,718
Total Pearl Revenue	\$ 26,140,183	12,122,852	116%	\$ 28,684,810	16,666,323	72%	2,544,627
Avg \$ Per Pearl	\$ 102.65	\$ 37.78	172%	\$ 88.98	\$ 41.67	114%	\$ 37.58
Total Revenue	\$ 26,849,838	\$ 12,517,295	115%	\$ 29,695,519	\$ 17,308,646	72%	\$ 2,845,681

During the March 2024 Quarter, Atlas Pearls saw a return of the Low-Grade Bali auctions where objectives were achieved of clearing approximately 61,000 pieces and realising approximately \$600,000 in cash at an average price of \$9.50/piece. This was a trial auction after an absence of over two years, and achieved its objective to reduce Low-Grade inventory, so the Company will look to add two of these auctions annually going forward.

This auction contained lots with an average index score (being the chosen measure of internal quality measurement) of 1.1, significantly below average harvests as shown in the chart below. This stock is effectively a by-product which has been accumulated over the last six months. Given the quality of this product and the price achieved, the Company is satisfied with the outcome of the auction. FY23 low-grade sales were 164,858 pieces at an average price of at \$3.23/piece.

Whilst not a significant revenue stream, by working on 'increasing value of every pearl' the Company has added additional cash and profit to the business so far in FY24 through actively managing this category of product and now have another effective sales channel to include in the Bali auctions, to maximise pricing.

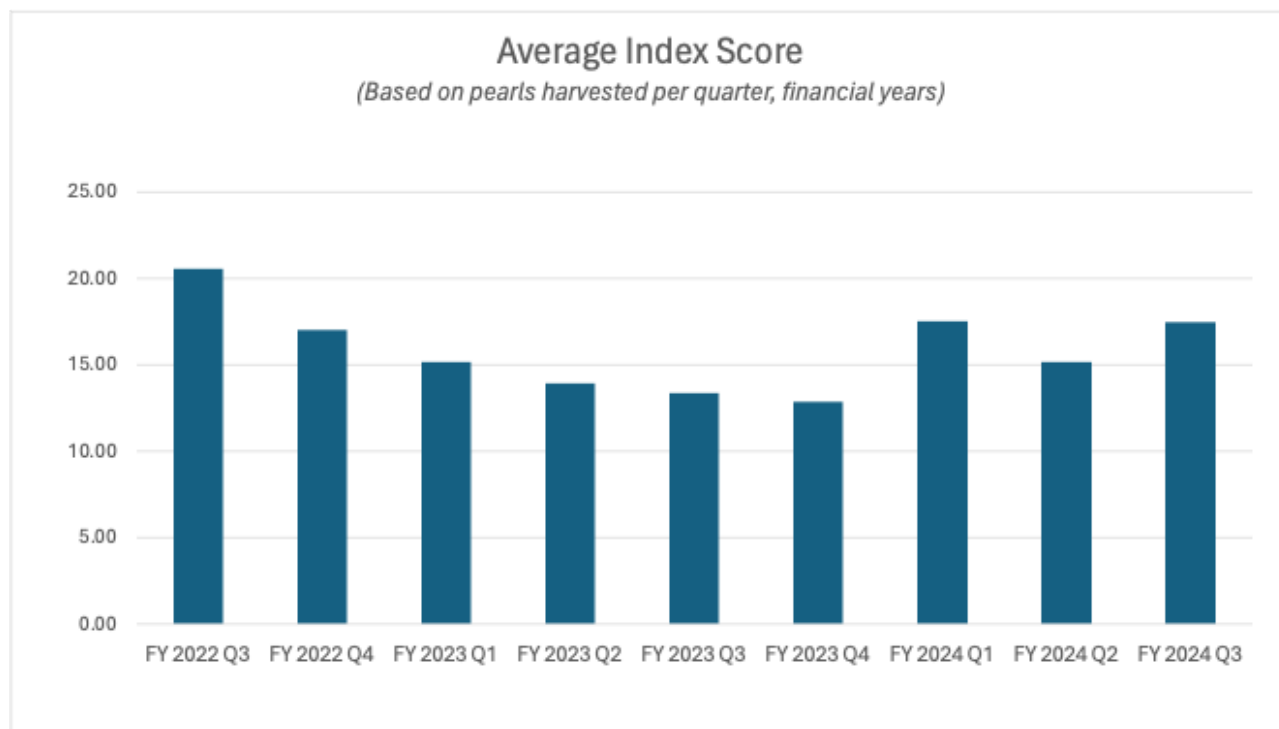
A graph showing the average price per Low-Grade piece sold between July 2022 to March 2024 is shown below.



Atlas Pearls continued to work on growing sales into existing wholesale channels and building new relationships and opportunities for Value-Add sales (ie. where pearls are sold as matched pairs, strands or special assortments into wholesale channels) which made up the balance of the loose pearl revenue for the March Quarter.

Quality Index of Pearls continue to improve

The Company has continued to see an improvement in the quality index measure as can be seen from the graph below with the trend over the last three quarters after a decline which bottomed out in Q4 FY23. The Company continues to work on the genetics initiative and while it is too soon to see any effect from this work in harvest results, the Company continues to see an improvement in the quality index for those pearls harvested.



Michael Ricci CEO of Atlas Pearls stated “Atlas Pearls continues to evolve through the continuous improvement programs and use of data to drive decisions. The Company is in a stronger financial position than it was a year ago, with a stronger cash position and no debt and so we are able to adapt to suit market conditions like we have with some of the decisions that we made at the recent Kobe auction. Atlas Pearls continues to focus on improving product quality and building a sustainable business in what has been a historically volatile market/industry by focusing on productivity and quality and maximizing the value of every pearl that we produce.

As part of our continued expansion plans, we have in the last two months transported 50,000 shells to lines installed at our new farm in Sumba as part of a test of performance and this is a significant milestone for the Company as we look to open our eighth location in Indonesia.

Due to the current volatility in the market, it is difficult to forecast what the balance of the year will look like but as stated we will hold stock rather than accept ‘opportunistic’ bids. The sales team will in the coming months look to our other sales channels and markets to maximise the value of our pearls. Our next Kobe auction is in June 2024.”

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

Investor & Media Queries:

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