

For personal use only

# ATLAS

PEARLS

INTERIM FINANCIAL REPORT

ABN 32 009 220 053 • 31 DECEMBER 2022



For personal use only





## CONTENTS

Directors' Report	4.
Auditors Independence Declaration	6.
Consolidated Statement of Profit or Loss & Other Comprehensive Income	7.
Consolidated Statement of Financial Position	8.
Consolidated Statement of Changes in Equity	9.
Consolidated Statement of Cashflows	10.
Notes to & Forming part of the Consolidated Financial Statements	11.
Directors' Declaration	18.
Independent Review Report	19.

# DIRECTORS REPORT

Your 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 2022, referred to hereafter as, the Company, the Group or Atlas Pearls.

## 1. Directors

The following persons 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
<b>GEOFF NEWMAN</b> , Executive Chairman B. Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D	Director since 15 October 2010
	Appointed Chairman 16 February 2015
	Appointed Executive Chairman 01 October 2019
	Appointed Chairman 12 July 2022
<b>TIMOTHY MARTIN</b> , Non-Executive Director BA, M.B.A, G.A.I.C.D	Director since 4 February 2013
<b>CADELL BUSS</b> , Independent Non-Executive Director M.B.A, M.P.M, G.A.I.C.D	Director since 1 February 2018

## 2. Review of Operations

### 2.1 REVIEW OF OPERATIONS

The Company has achieved a profit \$4m before income tax (31 December 2021: \$3.4m) for the half year.

During the half year the Company experienced some harvest results where the size and the quality of pearls harvested were below the those results observed in FY2022. Pleasingly, the Company experienced strong pricing for pearls so there was no material impact to the revenue results in comparison to the prior period.

Atlas's pricing is driven by the continued use of a multi-channel sales strategy to ensure that pearls are placed into markets whereby they experience the highest demand. Atlas continues to increase it's knowledge about the pearl market and customers demands to ensure that we are meeting the demands and expectations of our customers across multiple sales channels to maximise pricing on every pearl.

The Company has commenced a genetics project in our Indonesian hatcheries in recent months to understand diversity in our oyster population. Although in its infancy, this project is one of a number of improvement projects that we have undertaken in H1 that continue to build on our baseline of information to further drive our science-based decision making within the Company.

## 3. Financial Result

The Group's net profit for the period ended 31 December 2022 is \$3.2M, compared to a \$4.1M profit in the prior year comparative period.

To give a better picture of the underlying performance, Atlas has adopted Normalised Earnings before interest, taxes, depreciation, amortisation (Normalised EBITDA) as a more effective way to report comparative results.

	6 MONTHS ENDED 31 DEC 22	6 MONTHS ENDED 31 DEC 21
Total revenue from contracts with customers	12,517,295	12,360,776
Net profit/(loss) after tax	3,694,966	4,135,528
Normalised earnings before interest, taxes, depreciation, and amortisation (Normalised EBITDA)	3,903,462	3,909,215

Reconciliation of Normalised EBITDA to Profit/(Loss) for the half year (Consolidated Statement of Profit or Loss and Other Comprehensive Income)

	6 MONTHS ENDED 31 DEC 22	6 MONTHS ENDED 31 DEC 21
Net profit/(loss) after tax	3,694,966	4,135,528
Tax expense/(benefit)	329,075	(690,858)
Interest net costs	60,598	155,742
Depreciation/Amortisation	149,827	145,554
Foreign exchange loss/(gain)	104,867	360,392
Agriculture standard revaluation (gain)/loss	(435,871)	(197,143)
<b>NORMALISED EBITDA</b>	<b>3,903,462</b>	<b>3,909,215</b>

### 3.1 FINANCIAL POSITION

Cash reserves have increased to \$3.3M at 31 December 2022 (30 June 2022: \$3.0M).

Oyster asset values have increased to \$20.8M during the six months ended 31 December 2022 (30 June 2022: \$17.6M). The quantity of seeded oysters on hand has remained consistent.

The number of pearls on hand has decreased from 127,761 at 30 June 2022 to 32,038 at 31 December 2022 and consequently, the value has decreased to \$0.5M (30 June 2022: \$3M).

Borrowings have decreased by \$0.9M to \$0.3M at 31 December 2022 (30 June 2022: \$1.1M). The decrease in borrowings is due to the final repayment of \$1.125M on the Boneyard loan, which was repaid in full September 2022.

The Company's net tangible assets per share are \$0.064 as at 31 December 2022 which has increased from the position at 30 June 2022 (\$0.057).

The number of shares on issue remains unchanged at 427,871,758 (30 June 2022: 427,871,758).

### 4. 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 6. Signed in accordance with a resolution of the Directors.



**GEOFF NEWMAN**

Chairman

27 February 2023

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 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 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.

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey circular watermark that says 'For personal use only'.

Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth  
27 February 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTES	6 MONTHS ENDING 31 DEC 2022 \$	6 MONTHS ENDING 31 DEC 2021 \$
Revenue from contracts with customers	3	12,517,295	12,360,776
Cost of goods sold		(5,397,902)	(5,823,861)
<b>GROSS PROFIT</b>		<b>7,119,393</b>	<b>6,536,915</b>
Other income		140,898	76,528
Administration expenses	5	(2,908,248)	(2,402,881)
Finance costs		(66,343)	(161,728)
Marketing expenses		(258,776)	(161,631)
Change in fair value less husbandry costs of oysters	4	435,872	197,143
Other expenses		(438,755)	(639,676)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>4,024,041</b>	<b>3,444,670</b>
Income tax benefit/(expense)		(329,075)	690,858
<b>PROFIT/(LOSS) AFTER INCOME TAX FOR THE PERIOD</b>		<b>3,694,966</b>	<b>4,135,528</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSSES)</b>			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		(759,925)	1,117,278
<b>OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX</b>		<b>(759,925)</b>	<b>1,117,278</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD</b>		<b>2,935,041</b>	<b>5,252,806</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>3,694,966</b>	<b>4,135,528</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSSES) ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>2,935,041</b>	<b>5,252,806</b>
Overall operations:			
<b>EARNINGS PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic earnings profit/(loss) per share (cents)	6	0.87	0.97
Diluted earnings per share (cents)	6	0.84	0.97

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 2022 \$	30 JUN 2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,307,646	2,995,131
Trade and other receivables		560,238	240,047
Inventories	7	737,378	3,617,584
Biological assets	4	11,889,196	9,763,861
<b>TOTAL CURRENT ASSETS</b>		<b>16,494,458</b>	<b>16,616,623</b>
<b>NON-CURRENT ASSETS</b>			
Intangibles		-	18,561
Biological assets	4	8,959,045	7,883,366
Property, plant and equipment		5,959,813	5,905,882
Right-of-use assets		633,641	686,707
Deferred tax assets		694,756	854,108
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,247,255</b>	<b>15,348,624</b>
<b>TOTAL ASSETS</b>		<b>32,741,713</b>	<b>31,965,248</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		426,067	810,715
Provisions		2,533,606	2,731,110
Borrowings	8	275,122	1,125,000
Lease Liabilities		55,467	58,048
Current tax liabilities		153,617	398,583
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,443,879</b>	<b>5,123,456</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities		134,246	220,998
Deferred tax liabilities		1,732,672	1,766,697
Provisions		43,796	29,616
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,910,714</b>	<b>2,017,311</b>
<b>TOTAL LIABILITIES</b>		<b>5,354,593</b>	<b>7,140,767</b>
<b>NET ASSETS</b>		<b>27,387,120</b>	<b>24,824,489</b>
<b>EQUITY</b>			
Contributed equity	9	36,857,415	36,857,415
Reserves		(9,048,835)	(8,366,153)
Accumulated losses		(421,460)	(3,666,772)
<b>TOTAL EQUITY</b>		<b>27,387,120</b>	<b>24,824,489</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 THE OWNERS OF ATLAS					
	CONTRIBUTED EQUITY	REVALUATION RESERVE	SHARE BASED PAYMENTS	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSS	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$
<b>BALANCES AT 1 JULY 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>PROFIT FOR THE PERIOD</b>	-	-	-	-	3,694,966	3,694,966
Exchange differences on translation of foreign operations	-	-	-	(759,925)	-	(759,925)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	-	-	-	(759,925)	3,694,966	2,935,041
Employee share scheme	-	-	77,243	-	-	77,243
<b>BALANCE AT 31 DECEMBER 2022</b>	<b>36,857,415</b>	<b>179,179</b>	<b>1,066,757</b>	<b>(10,294,771)</b>	<b>(421,460)</b>	<b>27,387,130</b>
<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 PERIOD</b>	-	-	-	-	4,135,528	4,135,528
Exchange differences on translation of foreign operations	-	-	-	1,117,278	-	1,117,278
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	-	-	-	1,117,278	4,135,528	5,252,806
Employee share scheme	-	-	-	-	-	-
<b>BALANCE AT 31 DECEMBER 2021</b>	<b>36,857,415</b>	<b>179,179</b>	<b>911,083</b>	<b>(9,697,667)</b>	<b>(4,572,449)</b>	<b>23,677,561</b>

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 22 \$	6 MONTHS ENDING 31 DEC 21 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from pearl and jewellery sales	12,160,423	11,745,138
Proceeds from pearl by-product sales	281,393	499,439
Payments to suppliers and employees	(9,655,634)	(7,223,894)
Income tax paid	(300,816)	(643,945)
Interest paid	(44,281)	(141,575)
Interest received	5,745	5,985
Net cash inflow from operating activities	2,446,830	4,241,148
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(1,047,523)	(963,948)
Net cash outflow from investing activities	(1,047,523)	(963,948)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(1,537,684)	(2,164,371)
Proceeds from borrowings	687,806	587,705
Repayment of the lease liabilities	(94,759)	(38,911)
Net cash outflow from financing activities	(944,637)	(1,615,577)
Net increase in cash and cash equivalents	454,670	1,661,623
Cash and cash equivalents at the beginning of the period	2,995,131	3,022,311
Effects of exchange rate changes on cash and cash equivalents	(142,155)	(265,716)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>3,307,646</b>	<b>4,418,218</b>

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

# NOTES TO & FORMING PART OF 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 2022 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 2022 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 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 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 estimate are significant to the financial statement are detailed below:

- a) Determination of market value of biological assets - see note 4
- b) Write off of inventories - 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 2022 is as follows:

31 DECEMBER 2022	AUSTRALIA	INDONESIA	TOTAL
Total segment revenue	12,141,382	8,659,668	20,801,050
Inter-segment revenue	-	(8,283,755)	(8,283,755)
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>12,141,382</b>	<b>375,912</b>	<b>12,517,295</b>
<b>TIMING OF REVENUE RECOGNITION</b>			
At a point in time	12,141,382	375,912	12,517,295
Over time	-	-	-
	<b>12,141,382</b>	<b>375,912</b>	<b>12,517,295</b>
<b>NORMALISED EBITDA</b>	<b>3,365,299</b>	<b>538,162</b>	<b>3,903,461</b>
<b>ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>2,669,961</b>	<b>1,023,076</b>	<b>3,693,036</b>
<b>TOTAL SEGMENT ASSETS</b>			
<b>31 DECEMBER 2022</b>	<b>3,419,550</b>	<b>28,626,819</b>	<b>32,046,369</b>
30 June 2022	2,725,788	28,384,771	31,110,557
<b>TOTAL SEGMENT LIABILITIES</b>			
<b>31 DECEMBER 2022</b>	<b>(466,913)</b>	<b>(2,536,556)</b>	<b>(3,003,469)</b>
30 June 2022	(479,227)	(3,092,214)	(3,571,441)

- (i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 31 December 2021 is as follows:

31 DECEMBER 2021	AUSTRALIA	INDONESIA	TOTAL
Total segment revenue	11,832,488	9,583,261	21,415,749
Inter-segment revenue	-	(9,054,973)	(9,054,973)
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>11,832,488</b>	<b>528,288</b>	<b>12,360,776</b>
<b>TIMING OF REVENUE RECOGNITION</b>			
At a point in time	11,832,488	528,288	12,360,776
Over time	-	-	-
	<b>11,832,488</b>	<b>528,288</b>	<b>12,360,776</b>
<b>NORMALISED EBITDA</b>	<b>2,543,046</b>	<b>1,366,169</b>	<b>3,909,215</b>
<b>ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>2,324,639</b>	<b>1,283,280</b>	<b>3,607,919</b>
<b>TOTAL SEGMENT ASSETS</b>			
<b>31 DECEMBER 2021</b>	<b>4,942,470</b>	<b>25,667,779</b>	<b>30,610,249</b>
30 June 2021	3,128,717	24,129,502	27,258,219
<b>TOTAL SEGMENT LIABILITIES</b>			
<b>31 DECEMBER 2021</b>	<b>(1,176,224)</b>	<b>(3,060,834)</b>	<b>(4,237,058)</b>
30 June 2021	(577,595)	(2,853,735)	(3,431,330)



## 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 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:

	6 MONTHS ENDED 31 DEC 2022	6 MONTHS ENDED 31 DEC 2021
<b>NET OPERATING PROFIT/(LOSS) BEFORE TAX</b>	<b>3,693,036</b>	3,607,919
Changes in fair value of biological and agricultural assets	<b>435,871</b>	197,143
Foreign exchange gains	<b>136,710</b>	70,141
Foreign exchange losses	<b>(241,576)</b>	(430,533)
<b>TOTAL PROFIT/(LOSS) BEFORE INCOME TAX FROM OPERATIONS</b>	<b>4,024,041</b>	3,444,670

### (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 2022 \$	30 JUN 2022 \$
<b>SEGMENT ASSETS</b>	<b>32,046,369</b>	31,110,557
Unallocated:		
Joint Venture Loans	<b>588</b>	582
Deferred tax assets	<b>694,756</b>	854,108
<b>TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>32,741,713</b>	31,965,248

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$266,890 (30 June 2022: \$786,159).  
The total located in Indonesia is \$15,395,789 (30 June 2022: \$12,551,975).

### (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 2022 \$	30 JUN 2022 \$
<b>SEGMENT LIABILITIES</b>	<b>3,003,469</b>	3,571,441
Unallocated:		
Current tax liabilities	<b>153,617</b>	398,583
Borrowings	<b>275,122</b>	1,125,000
Lease Liabilities	<b>189,713</b>	279,046
Deferred tax liabilities	<b>1,732,672</b>	1,776,697
<b>TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION</b>	<b>5,354,593</b>	7,140,768

### 3. *Revenue from contracts with customers*

	6 MONTHS ENDING 31 DEC 2022 \$	6 MONTHS ENDING 31 DEC 2021 \$
<b>SALES REVENUE</b>		
Sale of goods	12,517,295	12,360,776
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>12,517,295</b>	<b>12,360,776</b>

### 4. *Biological Assets*

	31 DEC 2022 \$	30 JUN 2022 \$
<b>CURRENT</b>		
Oysters - at fair value	11,889,196	9,763,861
<b>TOTAL CURRENT BIOLOGICAL ASSETS</b>	<b>11,889,196</b>	<b>9,763,861</b>
<b>NON-CURRENT</b>		
Oysters – at fair value	8,959,045	7,883,366
<b>TOTAL CURRENT BIOLOGICAL ASSETS</b>	<b>8,959,045</b>	<b>7,883,366</b>
<b>TOTAL BIOLOGICAL ASSETS</b>	<b>20,848,241</b>	<b>17,647,227</b>

During the six months ended 31 December 2022, no significant events occurred which impacted on oyster mortalities (31 December 2021: none). There is a fair value adjustment uplift of \$0.4M at 31 December 2022 (31 December 2021: \$0.2M) as a result of the oyster valuation review conducted (refer note 10).

### 5. *Profit / (loss) before income tax includes the following specific items*

#### 5.1 ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	6 MONTHS ENDING 31 DEC 2022 \$	6 MONTHS ENDING 31 DEC 2021 \$
Salaries and wages	1,954,141	1,667,283
Depreciation property, plant and equipment	103,663	74,207
Amortisation of intangible assets	10,332	35,438
Depreciation on right-of-use assets	35,831	35,909
Occupancy costs	68,793	62,922
Compliance and accounting	162,870	137,876
Travel	153,215	66,871
Other	419,403	322,375
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>2,908,248</b>	<b>2,402,881</b>

## 6. Earnings / (loss) per share

	6 MONTHS ENDING 31 DEC 2022 \$	6 MONTHS ENDING 31 DEC 2021 \$
Basic earnings/(loss) per share (cents)	0.87	0.97
Diluted earnings per share (cents)	0.84	0.97

### 6.1 EARNINGS RECONCILIATION

	6 MONTHS ENDING 31 DEC 2022 \$	6 MONTHS ENDING 31 DEC 2021 \$
Net profit/(loss) used for basic earnings	3,694,965	4,135,528
After tax effect of dilutive securities	-	-
<b>DILUTED EARNINGS/(LOSS)</b>	<b>3,694,965</b>	<b>4,135,528</b>

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 2022 as potential ordinary shares which may have a dilutive effect on the profit of the Consolidated Group.

## 7. Inventories

	31 DEC 2022 \$	30 JUN 2022 \$
<b>CURRENT</b>		
Pearls	511,059	3,375,390
Jewellery	226,319	242,194
<b>TOTAL CURRENT INVENTORY</b>	<b>737,378</b>	<b>3,617,584</b>

### 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. Borrowings

	31 DEC 2022 \$	30 JUN 2022 \$
<b>CURRENT</b>		
Other loans	275,122	1,125,000
<b>TOTAL CURRENT BORROWINGS</b>	<b>275,122</b>	<b>1,125,000</b>

## 9. Contributed equity

	31 DEC 2022 NO. OF SHARES	30 JUN 2022 NO. OF SHARES	31 DEC 2022 \$	30 JUN 2022 \$
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 period	424,809,620	424,809,620	36,857,415	36,857,415
Shares issued	-	-	-	-
Share transaction costs	-	-	-	-
<b>BALANCE AT END OF PERIOD</b>	<b>424,809,620</b>	<b>424,809,620</b>	<b>36,857,415</b>	<b>36,857,415</b>
<b>TREASURY SHARES</b>				
Balance at beginning of period	3,062,138	3,062,138		
Shares released	-	-		
<b>BALANCE AT END OF PERIOD</b>	<b>3,062,138</b>	<b>3,062,138</b>		

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 financial year ended 31 December 2022 to employees as part of the Atlas employee share salary sacrifice plan (30 June 2022: 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 2022 and 30 June 2022 on a recurring basis:

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>31 DECEMBER 2022</b>				
<b>ASSETS</b>				
Biological Assets	-	-	20,848,241	20,848,241
<b>TOTAL ASSETS</b>	-	-	<b>20,848,241</b>	<b>20,848,241</b>

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



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 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 agree 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 2022. There were also no changes made to any of the valuation techniques applied as of 30 June 2022.

### 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 2022:

	31 DEC 2022 \$	30 JUN 2022 \$
<b>Changes in fair value of oyster stock</b>		
<b>OPENING BALANCE 01 JULY 2022</b>	<b>17,647,227</b>	17,244,175
Due to new stock	<b>2,121,965</b>	3,384,465
Due to mortalities	<b>(2,857,646)</b>	(3,347,124)
Due to ageing	<b>3,460,401</b>	8,056,028
Due to harvests	<b>(3,495,339)</b>	(6,854,583)
Due to price changes	<b>3,971,633</b>	(835,734)
<b>CLOSING BALANCE AT 31 DECEMBER 2022</b>	<b>20,848,241</b>	17,647,227

(i) Valuation inputs

INPUT	31 DEC 2022	30 JUN 2022	COMMENTARY
Average selling price	<b>¥ 13,126 PER MOMME</b>	¥ 11,250 PER MOMME	Obtained by analysing sales price achieved and the trend analysis
Yen exchange rate	<b>¥ 89:38 : AUD 1</b>	¥ 93:79 : AUD 1	Based on the forward Yen price per a financial institution.
Average pearl size	<b>0.41</b>	0.43	Based on technical assessment of expected harvest output and taking into account historical actual results
Proportion of marketable grade	<b>36%</b>	38%	Based on historical data for pearl grade.
Discount rate	<b>20%</b>	20%	Based on analysis of comparable primary producers.
Mortality	<b>Historical</b>	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	<b>\$1.88</b>	\$1.76	Based on independent calculation.
Costs to complete	<b>\$0.66</b>	\$0.69	Based on historical averages of costs to complete and sell pearls per momme.

### 11. Contingencies

There have been no changes to contingencies from those disclosed in June 2022.

### 12. Related party transactions

There have been no changes to related party transactions from those disclosed in June 2022.

### 13. Events occurring after the reporting period

There have been no 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 2022 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

27 February 2023

## 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 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 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 2022 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 2022 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  


Jarrad Prue  
Director

Perth

27 February 2023

For personal use only



For personal use only

# ATLAS

## PEARLS

### MAILING ADDRESS

PO BOX 248, SUBIACO  
PERTH WESTERN AUSTRALIA 6904

### OFFICE ADDRESS

26 RAILWAY ROAD, SUBIACO  
PERTH WESTERN AUSTRALIA 6008

### TELEPHONE

+61 (8) 9284 4249

### EMAIL

ATLAS@ATLASPEARLS.COM.AU

WWW.ATLASPEARLS.COM.AU

FIND US ON

