ATLAS PEARLS LTD - ASX ATP -ANNUAL REPORT • 2018

Like each pearl, every woman is unique!

FIND THE ONE... AS UNIQUE AS HER.












A MESSAGE FROM

THE MANAGING DIRECTOR

Better Together

It has been almost three years since we embarked on the ambitious journey of turning our business around through further improvements in pearl quality and increased production volumes to ensure Atlas' relevance as a significant supplier to the market with sustained profitability. The main challenge this year has been to look after a large number of oysters whilst harvesting smaller pearls than expected.

Revenue dropped from $16.3M last year to $14.2M this year with a similar number of pearls harvested and sold. Market conditions and foreign exchange have been stable or favourable throughout the year, but harvested pearl size decreased significantly over the financial year. A thorough operational review performed in April and May established that a 6 month long adverse environmental condition at the time of seeding in 2015/16 affected host oysters across the Indonesian Archipelago as well as the Philippines and to a lesser extent Myanmar. This was further confirmed by the early harvest of a representative sample of oysters seeded over the past 18 months to better gauge harvests to come. The outcome of the exercise was positive and confirmed that both pearl growth and oyster condition have normalised and so should harvests going forward.

Management and staff reacted positively early on to the challenges from smaller pearl sizes to contain and reduce cost where and when possible without impairing the company's ability to grow. Clients helped and agreed to secure their purchase position via trade loans granted to protect their pearl supply, hence providing bridge funding to manage the transition until oysters seeded last year and this year are harvested.

Gross Profit dropped from $7.4M to $5.3M. Whilst administration, finance and marketing costs were reduced by almost $1M, operations delivered a loss before tax of $1.9M against a profit before tax of $800K last year.

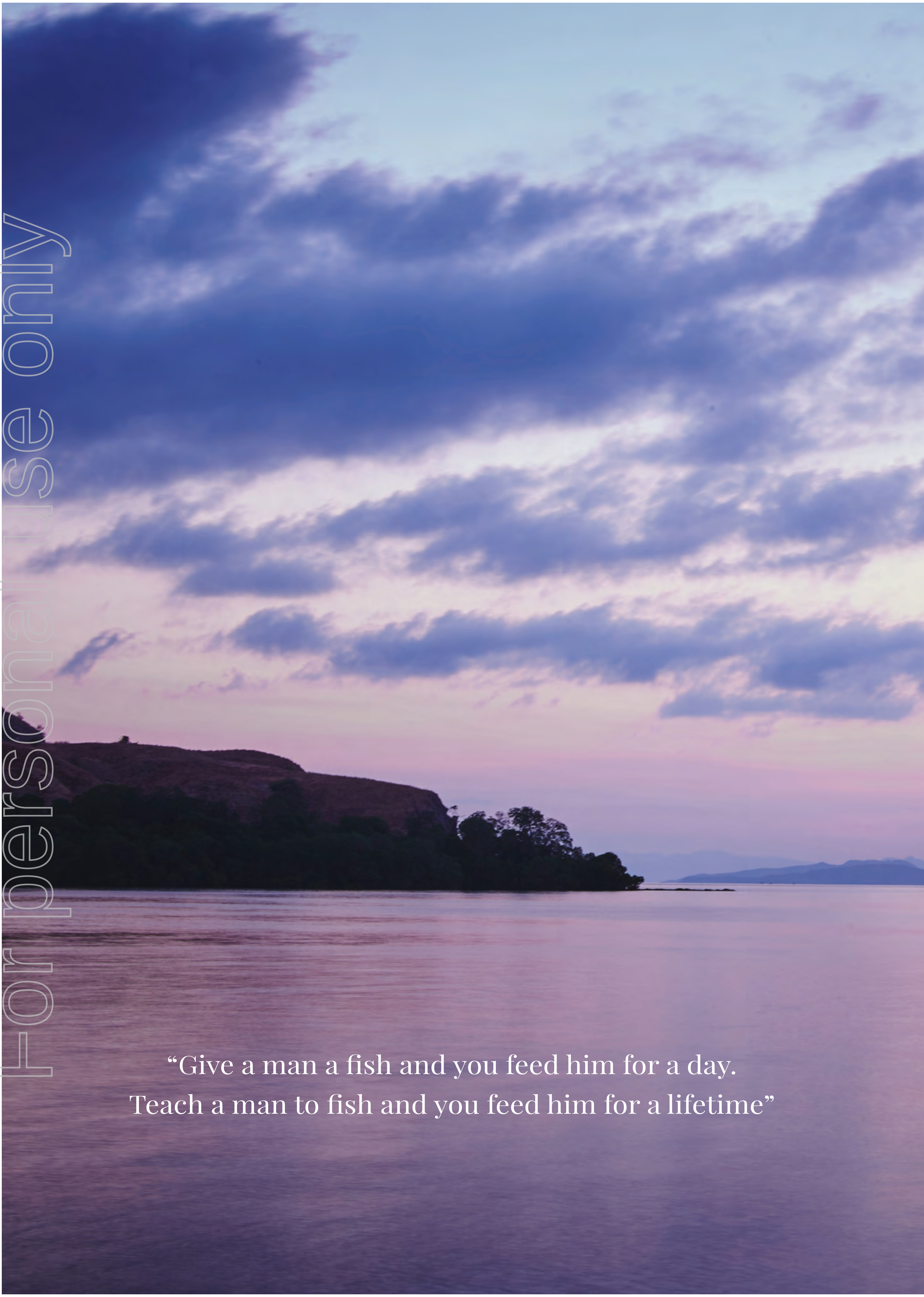
This year's financial outcome is disappointing but there are various reasons to look forward to a brighter future thanks to positive achievements delivered by the Atlas team this year:

- A 15% increase in oysters seeded compared to last year,
- A sustained improvement in oyster survival rate at spat and juveniles' stages,
- A further improved post-seeding nuclei retention rate,
- A progressive consolidation of all our CSR initiatives,
- A solid demand and firming up of prices for Atlas Pearls,
- A positive trend towards a more collaborative supply chain.

The sum of all is making Atlas Pearls a more robust business proposition, a strong learning organisation and better prepared to react to unavoidable market and environmental fluctuations. Pearling is a collaborative industry by essence and Atlas Pearls was founded in 1993 around the principle of sustainability. We would like to share with you how the people of Atlas Pearls, shareholders and stakeholders alike are doing their part to bring nature's gift from our hands to your hearts.

Once again, thank you to all.

Pierre Fallourd
Managing Director


"Give a man a fish and you feed him for a day.
Teach a man to fish and you feed him for a lifetime"

Transfer of Knowledge

PEOPLE

With a 25-year history in pearling, Atlas Pearls is a global leader in eco-pearling & one of the top producers of the highly sought after silver & white South Sea pearls, commonly known as the queen of all gems.

The Company operates five farms dotted throughout the nutrient-rich waters of the Indonesian Archipelago from the famous Island of Bali through to the intriguing West Papua.

The people behind the pearls and the environment where they grow are integral and critical to their story and heritage. Each Atlas pearl is made of thousands of concentric layers of aragonite crystal deposited around a spherical nucleus carefully inserted into a host mother of pearl oyster by a skilled and inspired master grafter.

Over the years, Atlas Pearls has managed to build a strong culture around a set of cohesive and stimulating values such as Respect & Integrity, Care & Understanding, Community, & Teamwork, Passion & Commitment, Intuition & Initiatives.

The pearling cycle is four years long and labour intensive. Each oyster is manipulated more than 500 times over the course of its productive life. It is crucial to continue to fuel the passion of the people behind the pearls and empower them. Continuous on-the-job training, regular talent promotion, stimulating career paths and gender equality are cornerstone to achieving our goal as an organisation.









3

Environmentally Responsible

PLANET

"It is the story of nature, passionate men and women working together harmoniously that will give each gem its unique lustre and orient, the inner glow or beauty from within. There is no shortcut in the careful process of giving birth to quality South Sea Pearls. Modern technology sometimes helps through the process but producing good quality pearls takes time for a sufficient number of layers of aragonite crystals to build and properly refract light, ensuring lustre is long-lasting", said Mark Longhurst, a passionate veteran Australian Pearler, now based in Indonesia and Chief Operating Officer of Atlas Pearls.

Over the years, the Company experienced the same challenges the whole pearl industry went through with various successive global economic crises, fast pace environmental changes and ever accelerating fashion cycles, but the passion for the core business remains. Atlas Pearls production grew steadily in volume and quality from a promising 50,000 pearls in 2000 to an estimated 500,000 pearls 20 years later. The Company supplies quality South Sea pearls primarily to selected prominent pearl trading companies but also caters to leading global retailers and fashion houses.

Beyond the numbers, it is important to note that modern pearling became non-extractive with the perfection of hatchery technology. Pearlers can now select spawners and breed oysters to suit specific attributes without affecting natural resources. *Pinctada maxima*, mother of pearl oysters, feed on microorganisms or plankton born of photosynthesis in the ocean.

Those same filter feeders also retain polluting agents such as heavy metals and cyanides within their gills and in doing so restore balance within the environment they grow in. Our oysters are held in nets hanging on underwater long lines which constitute both substrate and shelter for life to flourish. Juvenile fish and bivalves, soft fouling and crawling animals are thriving on those structures which act as artificial reefs in addition to their primary duty to secure pearl bearers and provide easy access for maintenance.

Last but not least, a significant portion of sub-tropical reef areas have been threatened by human predation. Destructive and illegal fishing practices using dynamite or cyanide have lead to long term damage. Pearling requires an environment free of harm, making pearl farms natural sanctuaries. Fish catches within or at the fringe of pearl farms are often multiplied several fold when compared to non-protected areas.







Transfer of Wealth

PEARLS

"We have developed over the years, the ability to extend the life of our pearls beyond the farm and ensure that through the skills and talent of our clients they continue to radiate for many years and adorn women with discerning taste around the world" said Tim Jones, Atlas Pearls Distribution Manager.

The emerging collaborative economic global trend is calling for a better alignment and improved communication among the key players along the pearling and luxury value chain. The customers of tomorrow are calling for more transparency and direct access "behind the scenes". Three of Atlas' Pearl farms -Bali, Flores and West Papua- are open to the public and offer an immersive experience, as well as a variety of fine and fashion pearl jewellery. Atlas Pearls is the only active pearling company listed on the Australian Stock Exchange, which gives everyone a chance to own a piece of the dream as well.

Another example of active collaboration within the industry is the acknowledgment of the need for more and better education on pearls, both at consumer and trade level, but also from government authorities who support the industry in their respective countries. Pearling is not getting any easier with time and one should not regard those pearls as commodities, but as a very valuable little miracle of nature. Atlas Pearls is committed to disseminate the good word and help its customers make the right choice when it comes to pearls.

"Modern luxury customers tend to privilege experience over products. We feel very fortunate to live the life we live and get the opportunity to share it with others. Producing pearls is such a diverse, challenging and exciting experience that we do not have to make anything up to sell the story, everything is true" said Pierre Fallourd, Managing Director. "It has been quite a journey since the founders' set-up operations in Kupang in 1993: Atlas Pearls roughly doubled in size every five years, managing economic downturns and shifts in supply and demand thanks to our People and Nature's goodwill. Believe me, there is never a dull day when you choose pearling!"

Making the most of our available resources constitute the path towards sustainability which in turn allows Atlas Pearls to provide jobs to over 900 people on a permanent, contractual and casual basis. Pearling also offers stable and direct employment to local communities in remote areas where there are little alternatives as a result of isolation. Those benefits extend to a variety of joint building, supply, repair and even oyster grow-out activities.








A LETTER FROM

THE CHAIRMAN

Dear Shareholder

2017/18 was a mixed year for Atlas Pearls marked by some key achievements in operating performance being over-shadowed by disappointing harvest outcomes towards the end of the second half of the financial year.

Smaller pearl sizes in the first half of the financial year were largely forecasted, however, expectations that profitability would improve in the second half of the financial year were not met. Over the past couple of years Atlas Pearls has initiated hatchery reforms with the Company's focus to improve survival rates and increase pearl sizes. Unfortunately due to adverse weather and food supply affecting the 15/16 seeded oysters, harvested pearls were smaller than anticipated. These conditions were not unique to Atlas Pearls and appeared to affect growers in Indonesia, Philippines and Myanmar.

Despite this specific challenge, some important positives have emerged during 17/18 including:

- Confirmation of improved survival rates which will ultimately result in fewer resources being employed to produce the same number of pearls.
- A substantial lift in seeded pearls numbers which will lead to higher sales revenue and a larger, more robust business.
- Firming pearl prices particularly in the latter part of the year.

These challenging circumstances have also cemented an acknowledgment and acceptance across the entire organisation of the need to target and achieve unit production costs that will ensure company profitability over the most difficult of operating and market conditions.

With sampled results and preliminary harvesting for 2018/19 seeming to confirm that the latter part 2017/18 results were a "one-off", the cost focus and operational improvements achieved in this year position the Company well for improved profitability next year.

Atlas Pearls' 50% joint venture Essential Oils of Tasmania ("EOT") made progress in growing sales and expanding the range of services and products offered domestically and internationally. On a positive note, EOT returned a profit of $78k, a promising result in light of the strengthening demand for Tasmanian products. The Board and Senior Management continue to explore a number of prospective paths forward for EOT in the medicinal cannabis industry to capitalise on the Company's undoubted extraction expertise and production capabilities.

On the capital structure front, the Company secured a $3.5M debt facility in FY2017 from its major shareholder to replace the prior existing bank debt facility. The loan was approved at the 2017 AGM and is repayable in a number of installments through to June 2020. At 30 June 2018 the balance of the shareholder loan is $3.25M. Atlas Pearls was also successful in the traditional bank lending market securing an increase in the existing overdraft facility to $1.5M (30 June 2017: $1.0M) to accommodate the historically slower cash flows in the first part of the year.

In addition to the shareholder loan and the overdraft facility, Atlas Pearls successfully collaborated with trade partners to secure short term trade loans that support harvest schedules.

Although Atlas Pearls has received an unqualified audit report, I would like to draw shareholders attention to the Going Concern section of the Annual Report on page 36 and the emphasis of matter paragraph in the Auditors report on page 74.

In conclusion, while the financial performance in 2017/18 was undoubtedly disappointing, key operational improvements were achieved in the Company which will support future profitability.

Geoff Newman
Chairman

CORPORATE DIRECTORY

DIRECTORS

Geoff **NEWMAN**
B.Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D.

Timothy **MARTIN**
B.Arts, M.B.A, G.A.I.C.D.

Pierre **FALLOURD**
M.B.A, G.A.I.C.D.

Cadell **BUSS**
M.B.A, M.P.M, G.A.I.C.D.

COMPANY SECRETARY

Susan **HUNTER**
B.Com, ACA, F Fin, G.A.I.C.D, AGIA

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TAX ADVISERS

RSM Bird Cameron
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Perth
Western Australia 6008

BANKERS

National Australia Bank
100 St Georges Terrace
Perth
Western Australia 6000

SHARE REGISTRY

Computershare (WA) Pty Ltd
Level 11, 172 St George's Terrace
Perth
Western Australia 6000

HOME EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade
Perth
Western Australia 6000
ASX TRADING CODE ATP

SUMMARY OF FISCAL INDICATORS 2017/18

	30 June 18 $'000	30 June 17 $'000
Revenue from continuing operations	14,211	16,355
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	(561)	1,016
EBITDA margin	(3.95%)	6.21%
Depreciation and amortisation	(256)	(470)
Foreign exchange gains/(losses)	(149)	598
Revaluation and write-off of agriculture assets (oysters and pearls) gains/(losses)	(612)	(206)
Other non-operating benefits/(costs)	-	(286)
Derivative instruments gains/(losses)	(150)	410
Earnings/(loss) before interest and tax (EBIT)	(1,728)	1,062
EBIT margin	(12%)	6.5%
Interest net income/(costs)	(256)	(257)
Tax benefit/(expense)	(50)	96
Net profit/(loss) after tax (NPAT)	(2,034)	901
Basic earnings/(loss) per share (cents)	(0.48)	0.21
Net tangible assets (NTA)	23,899	26,443
Assets	31,710	34,178
Debt (current & non-current)	4,060	3,529
Shareholder funds	23,899	26,443
Debt/shareholder funds (%)	17%	13%
Number of shares on issue (million)	427.9	427.9

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 period ended 30 June 2018. Referred to hereafter as, the Company or Atlas Pearls.

1. Directors

The following persons were Directors of Atlas Pearls during all or part of the financial period and up to the date of this report except where stated:

GEOFF NEWMAN, B. Ec (Hons), M.B.A, F.C.P.A ,F.A.I.C.D.

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mr. Newman has over 27 years' experience in finance, marketing and general management roles in organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunnings Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005 he was Finance Director/Chief Financial Officer and Company Secretary of both Coogee Chemicals and its oil and gas subsidiary Coogee Resources Pty Ltd before he retired from the Coogee Group at the end of June 2006.

Appointed Chairman on 16 February 2015
Director since 15 October 2010
Directorships of other listed companies held in the last three years: Nil

TIMOTHY MARTIN, BA, M.B.A, G.A.I.C.D.

NON-EXECUTIVE DIRECTOR

Mr. 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, Mr. Martin worked in management roles within the packaged food manufacturing sector supplying to national supermarket chains, and has ongoing interests in commercial property development.

Appointed Director on 4 February 2013.
Directorships of other listed companies held in the last three years: Nil

PIERRE FALLOURD, M.B.A, G.A.I.C.D

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Fallourd has over 20 years' experience in pearling and is highly recognised in the pearl and jewellery industry for his role in developing and marketing golden pearls globally. He is a specialist in managing the pearl value chain and maximising the use and value of each pearl harvested. Pierre is fundamental to Atlas' cradle to cradle strategy of extracting and maximising all aspects of the pearl and its by-products. Mr. Fallourd joined the Company in March 2013 as Vice President of Pearling and has been Chief Executive Officer of Atlas since November 2014.

Appointed Managing Director 4 January 2016
Directorships of other listed companies held in the last three years: Nil

CADELL BUSS, MBA, MPM, G.A.I.C.D.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Buss has extensive experience in marketing, communications and advertising spanning 20 years in the industries of Fast Moving Consumer Goods, Sports Administration and Local Government. His career commenced in sales, progressing into senior leadership engagements at leading commercial enterprises, including Fosters Group Limited, Guinness International and DJ Carmichael Pty Ltd.

Appointed Director on 1 February 2018.
Directorships of other listed companies held in the last three years: Nil

DIRECTORS' REPORT

2. *Company Secretary*

The role of Company Secretary for the financial year was shared by Ms. Susan Hunter and Mr. Trevor Harris, until Mr. Harris resigned 29 January 2018.

SUSAN HUNTER, BCom, ACA, F Fin, G.A.I.C.D, AGIA

Ms. Hunter has 21 years' experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate 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. She 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.

Appointed 19 December 2012.

TREVOR HARRIS, BCom, CPA, GDip Comp Law_ACG, AGIA

Mr. Harris joined Atlas on 31 August 2015 as Chief Financial Officer and was appointed joint Company Secretary 4 January 2016. Mr. Harris has over 20 years' experience in financial management in a wide variety of industry sectors. As well as being a qualified CPA accountant, he holds a postgraduate qualification in Commercial Law and is a Chartered Company Secretary. Mr. Harris has filled multi-disciplinary roles with companies such as Alcyone Resources Ltd, Shield Mining Ltd, Sphere Minerals Limited, BGC Australia and Toll Holdings.

Appointed 4 January 2016.
Resigned 29 January 2018.

3. *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	01/07/17-30/06/18	6	6
T. Martin	01/07/17-30/06/18	6	6
P. Fallourd	01/07/17-30/06/18	6	6
C. Buss	01/02/18- 30/06/18	3	3

4. *Principal Activities and Review of Operations*

4.1. PRINCIPAL ACTIVITIES

Atlas Pearls is a Company that produces South Sea Pearls, with farming operations throughout Indonesia and retail stores in Perth and Bali. The Company has a 50% joint venture in Essential Oils of Tasmania, a Company providing essential oils, pearl shell by-products and perfumes to local and international markets.

4.2. REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

4.2.1. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

4.2.2. SHAREHOLDER RETURNS

	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Net profit/(loss) after tax	(2,034)	901	968
Basic EPS (cents)	(0.48)	0.21	0.23
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 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Net profit/(loss) after tax	(2,034)	901	968
Tax (benefit)/expense	50	(96)	1,819
Interest net costs	256	257	288
Depreciation & amortisation	256	470	399
Foreign exchange (gain)/loss	149	(598)	750
Agriculture standard revaluation (gain)/loss	612	206	(1,827)
Other non-operating (income)/expense	-	286	281
Derivative instrument (gain)/loss	150	(410)	268
Impairment of JV loan	-	-	816
Normalised EBITDA	(561)	1,016	3,762

4.2.3. FINANCIAL POSITION

	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Total Assets	31,710	34,178	34,808
Debt (Current & Non-current)	(4,060)	(3,529)	(4,225)
Other Liabilities	(3,750)	(4,207)	(4,759)
Shareholder funds / Net Assets	23,899	26,443	25,825
Debt / Shareholder funds	17%	13%	16%
Number of shares on issue (million)	427.9	427.9	425.4
Net tangible assets per share (cents)	5.6	6.2	6.1
Share price at reporting date (cents)	2.4	2.6	3.2

There has been a decrease in the net assets of the Group of $2.5M in the year ended 30 June 2018 (30 June 2017: $0.6M increase).

4.2.4. OPERATING RESULTS

Atlas Pearls recorded a net loss after tax for the period ended 30 June 2018 of $2.0M, a decrease of $2.9M (30 June 2017: profit $0.9M).

The operating revenue for the year ended 30 June 2018 was $14.2M, a decrease of $2.2M (30 June 2017: $16.4M). Market conditions remained stable but harvested pearl size decreased significantly due to adverse environmental conditions.

Management and staff reacted effectively to the challenges of the smaller pearls, reducing operating expenses without impairing the Company's ability to protect pearl supply. Administration, finance and marketing expenses for the year ended 30 June 2018 were $6.3M a decrease of $0.8M (30 June 2017: $7.1M).

Additionally, the Company embarked on a more collaborative supply chain with the assistance of clients and secured short term trade loans to manage the transition between seeding and harvest. Refer to note 18.4 for further details on current financing arrangements.

4.2.5. REVIEW OF OPERATIONS

4.2.5.1. PEARLING

Further improvements of operational processes have been at the forefront of 17/18 Management efforts.

The Hatchery Team extended its attention from larvae management to the nursery with the objective to improve oyster survival on transfer to the sea and ensure stronger animals that deliver better pearls. Both North Bali and Lembata based hatcheries and nurseries outperformed their previous results successfully doubling survival rates. This means that not only will oysters be stronger, but fewer will be required to meet seeding targets.

The seeding team has been restructured to ensure that Technicians are performing tasks best suited to their specific skills and abilities which has translated into an average post-operation retention rate above 80%.

Significant efforts have been invested in oyster management, specifically cleaning with extensive re-training being conducted on all sites. Training was delivered to ensure only oysters requiring cleaning were selected, as opposed to a standard cleaning roster. Atlas Pearls is hopeful that this cleaning method will reduce undue stress on the oysters.

Whilst these improvements are expected to deliver gains both in quality and cost going forward, the profile of this years' harvest remained disappointing.

The 15/16 El Nino occurrence and water temperature increase resulting from underwater current changes stalled oyster growth and by extension pearl growth for harvests for the latter half of the financial year. To verify the suspected environmental impacts a representative sample harvest was performed across all seeded oysters. The sample revealed that oysters in the water were growing, indicating that harvests should progressively return to normal in 18/19.

Project capital sourced in January 2017 to support shell purchases and provide infrastructure to host the increasing number of oysters was efficiently allocated and harvests resulting from this effort are expected during the first half of 18/19. The volume increase from this project should reduce the cost-per-pearl.

4.2.5.2. PEARLING VALUE ADDED

Trading remained a primary focus of the Company with improving prices as a result of a perceived shortage of loose pearls in the market in the white south sea pearls 9-12mm category. Unfortunately, the proportion of smaller pearls did negatively impact revenue per piece and overall revenue.

The most noticeable evolution of pearl distribution this year has been a strong interest expressed by trade clients to secure pearl supply through a collaborative supply chain. For Atlas Pearls, this came in the form of trade loans to secure the right of first sight of future harvests. This is encouraging and may mark a turn-around in the traditional supply-demand relationships which usually leads to negative price tension.

Wholesale revenues grew 19% due to continuous efforts to understand and serve the Australian market as well as new initiatives launched in Asia. Singapore has proven to be a solid market. Hong Kong, Tokyo and Jakarta will be an upcoming focus for the Company.

Retail in Australia has been quiet throughout the year but attention to detail and focus on design and merchandising has enabled the Company's gross profit in this division to improve from prior year. By contrast, retail in Indonesia delivered in line with expectations with a special mention to our farm-based immersive experience stores at three sites; North Bali, Labuan Bajo and Raja Ampat. All three destinations delivered record sales from increased promotion by the Indonesia Tourism Department.

4.2.5.3. NATURAL EXTRACTS

Essential Oils of Tasmania Pty Ltd, a 50% joint venture of Atlas Pearls, delivered a profit of $78k. This is as a result of a focused strategy and realignment of the value chain.

By having a downstream model and providing a refined product in smaller quantities, Essential Oils of Tasmania Pty Ltd is aiming at progressively moving away from the bulk commodity end of the essential oil market. Due to an increased appetite globally for products derived from Tasmania, the joint venture was able to diversify its services to Tasmanian native crops extracts such as Native Pepper, Boronia, Kunzea and South Rosalina.

Whilst Fennel and Peppermint remain the two main revenue drivers, Essential Oils of Tasmania Pty Ltd is also actively pursuing projects involving more exotic crops such as Cannabis and Cherries and the by-products to chase highly valuable extracts aimed at health and medical benefits.

DIRECTORS' REPORT

4.2.6 AUDIT OPINION

The financial report has been audited independently and received an unmodified opinion. Refer to page 30 for the Independent Auditors Report and Opinion.

4.2.7 PERSONNEL

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

	INDONESIAN NATIONALS PART TIME	INDONESIAN NATIONALS PERMANENT	EXPATRIATES INDONESIA	AUSTRALIA
2016	444	422	22	19
2017	544	476	21	19
2018	414	486	15	13

5. Dividends

No dividends were declared and paid by the Company during period ended 30 June 2018 (30 June 2017: nil).

6. Events Since the end of the Financial Year

On 1 July 2018, Atlas Pearls secured ¥165M in short-term financing from a commercial partner. The loan is repayable by 30 June 2019.

There have been no other material events since the end of the financial year.

7. Likely Developments and Expected Results of Operations

The Company will continue to focus on the core pearling business from both a cost and revenue perspective. Production is growing on a strong platform where both best practice and operational efficiencies will deliver quality and cost gains. Distribution is improving on the back of a strong and more sophisticated global demand.

Results from the growth strategy initiated in January 2017 are expected to deliver a double digit increase in volume this year. The financial outcome of this significant change will be harvest profile and market dependent.

Efforts will be invested in further consolidating Tasmanian operations and focus on more efficient operations and higher value extraction opportunities.

8. Directors' Interests

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report, are detailed in Section 13.5.5 of the Remuneration Report.

DIRECTORS' REPORT

9. Options

During the year ended 30 June 2015 5,500,000 unlisted options were issued to certain employees, pursuant to the Atlas Pearls Employee Option Plan. These options are exercisable at $0.059 on or before 31 December 2018 and are subject to the following vesting conditions;

- achieving a minimum A$2.75M average normalised EBITDA for the 3 years ended 30 June 2018,
- the employee remains directly engaged as an employee until 30 June 2018.

There were no listed or unlisted options issued during the year ended 30 June 2018.

Refer to note 26.4 for further information.

10. Indemnification and Insurance of Directors and Officers

10.1. INDEMNIFICATION

The Company has agreed to indemnify the following current Directors of the Company; Mr G Newman, Mr T Martin, Mr C Buss and Mr P Fallourd and all former Directors against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors 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.

10.2. INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums of $34,845 (30 June 2017 : $32,500) in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

11. 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 parent entity, its related practices and non-related audit firms during the period ended 30 June:

AUDIT SERVICES	**30 June 2018 $**	**30 June 2017 $**
BDO Australian Firm		
Audit and review of financial reports	**93,279**	94,349
BDO Indonesian Firm		
Audit and review of financial reports	**30,781**	35,704
Total remuneration for audit services	**124,060**	130,053
Other Services	**5,100**	18,544
Total remuneration for other services	**5,100**	18,544

12. *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 period.

13. *Renumeration Report (Audited)*

The Directors are pleased to present your Company's 2018 remuneration report which sets out remuneration information for Atlas Pearls Non-Executive Directors, Executive Directors and other Key Management Personnel.

Name	Position
Non-Executive and Executive Directors	
G. Newman	Independent Non-Executive Chairman
T. Martin	Non-Executive Director
S. Arrow	Independent Non-Executive Director (until 22 September 2016)
P. Fallourd	Managing Director
C. Buss	Non-Executive Director (appointed 1 February 2018)
Other Key Management Personnel	
M. Longhurst	Chief Operations Officer Pt Cendana Indopearl
D. Kubicki	Chief Financial Officer (appointed 26 March 2018)
T. Harris	Chief Financial Officer (resigned 29 January 2018)

Changes since the end of the reporting period
There have been no changes to the remuneration of Key Management Personnel after 30 June 2018.

13.1. REMUNERATION GOVERNANCE

13.1.1. ROLE OF THE BOARD IN REMUNERATION GOVERNANCE

Remuneration governance is the responsibility of the full the Board as per a resolution passed on 27 February 2017. Primary responsibilities include recommendations including;

- Non-Executive Director fees
- Remuneration levels of Executive Directors and other Key Management Personnel
- The over-archiving Executive remuneration framework and the operation of incentive plans, and
- Key performance indicators 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 of remuneration

The Board is responsible for assessing performance against KPIs and determining the STI and 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.

13.1.2. 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 $350,000 which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Annual General Meeting on 30 May 2007. In the period ending 30 June 2018, the total Non-Executive Directors' fees including retirement benefit contributions were $148,947 (30 June 2017: $139,404).

The following fees have applied:

- Base fees for Non-Executive Directors is $50,000 per annum.
- The Independent Non-Executive Chairman's fee is $78,000 per annum.
- The Managing Directors base package is $240,000, with an additional $22,800 per annum including superannuation payable for Directors' duties.

13.1.3. 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, including superannuation
- Short-term performance incentives (refer 13.3 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 13.2 of this report. Short or medium-term cash incentives are incorporated into some Executives' salary packages at the time of this report. The framework provides a mix of fixed and variable pay with short and medium-term incentives. As Executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

An Employee Share Plan (ESP) provides some Senior Executives with incentive over and above their base salary (refer 13.2). The allocation of shares under the Employee Share Plan (ESP) is not subject to performance conditions of the Company. The reasons for establishing the ESP were:

- To align the interests of Senior Management with shareholders. The ESP 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 2018 the Company did not engage any remuneration consultants.

Voting and comments made at the Company's 2017 Annual General Meeting

Atlas Pearls received more than 93% of "yes" votes on adoption of the remuneration report for the 2017 financial year. On the resolution to re-elect Director Mr Tim Martin, Atlas Pearls received 98% of "yes" votes. 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. Some Key Management Personnel are entitled to bonuses based on a percentage of EBITDA.

13.2. 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		Short Term Benefits					Post-Employment Benefits	Long Term Benefits	Share Based Compensation		Total
		Cash Salary & Fees	Salary Sacrifice for Shares	Short Term Incentive Cash Bonus	Non-cash Monetary Benefits	Total Cash Salary, Fees and Short Term Benefits	Super-annuation Benefit	Long Service Leave	Bonus Shares	Options[5]	
		$	$	$	$	$	$	$	$	$	$
Directors (Non-Executive)											
G. Newman	2018	78,000	-	-	-	78,000	-	-	-	-	78,000
	2017	78,000	-	-	-	78,000	-	-	-	-	78,000
T. Martin	2018	50,114	-	-	-	50,114	-	-	-	-	50,114
	2017	50,114	-	-	-	50,114	-	-	-	-	50,114
S. Arrow [1]	2018	-	-	-	-	-	-	-	-	-	-
	2017	11,290	-	-	-	11,290	-	-	-	-	11,290
C. Buss [2]	2018	20,833	-	-	-	20,833	-	-	-	-	20,833
	2017	-	-	-	-	-	-	-	-	-	-
Directors (Executive)											
P. Fallourd	2018	240,000	-	-	-	240,000	22,800	-	-	10,925	273,725
	2017	240,000	-	-	-	240,000	22,800	-	-	10,925	273,725
Other Key Management Personnel											
M. Longhurst [3]	2018	200,000	-	-	22,500	222,500	-	-	-	5,463	227,963
	2017	206,608	-	-	22,500	229,108	-	-	-	5,463	234,571
D. Kubicki [4]	2018	43,679	-	-	-	43,679	4,121	-	-	-	47,800
	2017	-	-	-	-	-	-	-	-	-	-
T. Harris [4]	2018	182,589	-	-	-	182,589	17,346	-	-	-	199,935
	2017	185,693	-	-	-	185,693	17,641	-	-	8,194	211,528
Total 2018	**2018**	**815,215**	**-**	**-**	**22,500**	**837,714**	**44,267**	**-**	**-**	**16,388**	**898,369**
Total 2017	**2017**	**771,705**	**-**	**-**	**22,500**	**794,205**	**40,441**	**-**	**-**	**24,582**	**859,228**

Notes:

1. Mr S Arrow was appointed as Non-Executive Director on 2 January 2014. Mr S Arrow resigned from his position on 22 September 2016.
2. Mr C Buss was appointed 1 February 2018 as Non-Executive Director.
3. Non-Monetary benefits of other Key Management Personnel includes overseas living allowances as per individual employment contracts.
4. Mr T Harris was appointed Chief Financial Officer on 31 August 2015. Mr T Harris resigned from his position on 29 January 2018. Ms D Kubicki was appointed Chief Financial Officer on 26 March 2018.
5. Share based remuneration related to options, relates to options issued in prior periods, being recognised over the respective vesting period.

13.2.1. DETAILS OF REMUNERATION – PERFORMANCE ANALYSIS

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

Name	30 June 2018 % Performance	30 June 2017 % Performance
P. Fallourd	3.99%	3.99%
M. Longhurst	2.40%	2.33%
D. Kubicki	0.00%	N/A
T. Harris	0.00%	3.87%

13.2.2. 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 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Profit/(loss) for the year / period	(2,034,099)	900,581	968,103	(8,134,049)	1,813,922
Basic earnings per share	(0.48)	0.21	0.23	(2.4)	0.61
Dividend payments	-	-	-	-	-
Decrease in share price	(8%)	(19%)	(27%)	(48%)	53%
Total KMP incentives as a percentage profit/loss %	0%	3%	12%	(0.8%)	4.4%

13.3. 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 Office, Chief Financial Officer, Chief Operations Officer and other Key Management Personnel are also formalised in service agreements.

Details of Key Management Personnel contracts are set out below:

13.3.1. Mr Pierre Fallourd (Managing Director and Chief Executive Office – appointed 4 January 2016.)

- Base salary for the 2018 financial period of $240,900 per annum inclusive of superannuation, reviewed annually.
- Directors fees of $21,900 per annum including superannuation, payable from appointment (4 Jan 2016)
- No bonus has been accrued as payable for 17/18.
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

13.3.2. Mr Mark Longhurst (Chief Operating Officer – Appointed 1 March 2016)

- Base salary for the 2018 financial period of $200,000 per annum inclusive of superannuation.
- Non-Financial allowances related to living in Indonesia are also included, to a maximum allowance of $22,500 annually.
- No bonus has been accrued as payable for 17/18.
- Either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

13.3.3. Ms Diana Kubicki (Chief Financial Officer – Appointed 26 March 2018)

- Base salary for the 2018 financial period of $190,000 per annum inclusive of superannuation
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

13.3.4. Mr Trevor Harris (Chief Financial Officer – Appointed 31 August 2015; Resigned 29 January 2018)

- Base salary for the 2018 financial period of $200,000 per annum inclusive of superannuation
- Either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

13.3.5. 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.

13.4. ADDITIONAL INFORMATION OF THE REMUNERATION REPORT

13.4.1. LOANS TO DIRECTORS AND EXECUTIVES

- The Company obtained a debt financing package of $3.5M from Tim Martin (Non-Executive Director) and the Martin Family (related party) in June 2017. The loan is repayable in staged payments to be completed by 30 June 2020. An interest charge of 7.5% is payable quarterly on the loan balance. The Martin Family facility is currently secured as a second priority charge over the Company's assets as approved by shareholders at a General Meeting held on 13 September 2017.
- As at 30 June 2018 the balance of the Martin Family loan was $3.25M (30 June 2017: $3.5M)
- As at 30 June 2018 interest accrued and payable on loans from related parties is Nil (30 June 2017: $1,233)

13.4.2. OPTIONS

- Performance options were issued to Directors and Key Management Personnel during the financial period end 30 June 2015. The options were issued at nil cost to employees and will respectively expire on 31 December 2018. The options are exercisable based on the completion of KPI's specific to each individual.

13.4.3. OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

- As at 30 June 2018, Director fees of $10,767 are payable (30 June 2017: $8,236).

13.5. SHARE BASED PAYMENTS COMPENSATION

13.5.1. EMPLOYEE SALARY SACRIFICE SHARE PLAN

There was no salary sacrifice scheme undertaken for the year ended 30 June 2018. The details below relate to the issuing of shares to Directors and Key Management Personnel during the year ended 30 June 2017 and year ended 30 June 2016 under the employee salary sacrifice share plan. Please refer to Note 26 in the financial statements for further details.

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares to be Issued	Date of Issue	Shares Forfeited in the Year	Financial Year in Which Shares Vested	Nature of Shares	Share Issue Price	Total Value Salary Sacrificed
Pierre Fallourd	17/11/14	213,667	213,667	28/11/16	0%	2016 – 100%	Ordinary Shares	$0.045	$9,615
Pierre Fallourd	17/11/14	341,889	341,889	28/11/16	0%	2015 – 100%	Ordinary Shares	$0.045	$15,385

13.5.2 NON-EXECUTIVE DIRECTOR FEE SACRIFICE SHARE PLAN

Please refer to Note 26 in the financial statements for details.

13.5.3. DIRECTOR FEE SALARY SACRIFICE PLAN

The details relating to the allocation of shares to Directors and Key Management Personnel under the Non-Executive Director Fee Salary Sacrifice Share Plan are as follows:

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares Issued	Date of Issue	Shares Vested to End of 2017	Shares Forfeited in the Year	Financial Year in Which Shares Vested	Nature of Shares	Share Issue Price	Total Value Salary Sacrificed
Geoff Newman	1/11/14	716,289	716,289	28/11/16	100%	0%	2016 – 100%	Ordinary Shares	$0.045	$32,233
Tim Martin	1/11/14	518,512	518,512	28/11/16	100%	0%	2016 – 100%	Ordinary Shares	$0.045	$23,333

Notes: These shares were issued under the Non-Exectutive Directors' plan described above directly to Non-Exectutive Directors' for past services rendered.

13.5.4. PERFORMANCE OPTIONS

The details relating to the allocation of performance options to Directors and Key Management Personnel under the Atlas Pearls Employee Option Plan are as follows:

Name	Date of Grant	Entitlement No. of Options	Vesting Date	Expiry Date	Shares Forfeited in the Year	Financial Year in Which Shares Vest	Nature of Shares	Value Per Options at 30 June 18	Value Per Options at 30 June 17	Option Exercise Price
Pierre Fallourd[1]	30/06/15	2,000,000	30/06/18	31/12/18	0%	2018	Ordinary Shares	$32,805	$21,880	$0.059
Trevor Harris[1,2]	30/06/15	1,500,000	30/06/18	31/12/18	100%	2018	Ordinary Shares	-	$16,410	$0.059
Mark Longhurst[1]	30/06/15	1,000,000	30/06/18	31/12/18	0%	2018	Ordinary Shares	$16,403	$10,940	$0.059

Notes:
1. These unlisted options were approved by the Board of Directors on 29 May 2015.
2. Mr T Harris resigned from his position on 29 January 2018 hence 100% of his unlisted options were forfeited upon resignation.

13.5.5. 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 no options issued to Key Management Personnel as remuneration during the year ended 30 June 2018.

2. Option holdings

There are 3,000,000 options on issue to Key Management Personal at 30 June 2018. None were issued during the year ended 30 June 2018.

(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.

Details of shares that were granted as compensation during the reporting period are provided at note 26 and in the remuneration report contained at section 13.5 of the Directors' report.

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

	Balance 01/07/17	Granted as Compensation	Options Exercised	Other Changes	Balance 30/06/18
Parent Entity Directors					
Mr G. Newman	2,563,443	-	-	-	2,563,443
Mr T. Martin[1]	108,326,550	-	-	-	108,326,550
Mr C. Buss[2]	-	-	-	-	-
Mr P. Fallourd	3,866,762	-	-	-	3,866,762
Other Key Management Personnel					
Mr M. Longhurst	-	-	-	-	-
Ms D. Kubicki[3]	-	-	-	-	-
Mr T. Harris[3]	-	-	-	-	-
	114,756,755	**-**	**-**	**-**	**114,756,755**

Notes:

1. 4,997,428 shares are directly held by Mr T Martin. The balance of 103,329,122 shares, are related party share holdings.
2. Mr. C Buss was appointed 1 February 2018 as a Non-Executive Director.
3. Mr. T Harris resigned on 29 January 2018. Ms. D Kubicki was appointed 26 March 2018 as Chief Financial Officer.

(c) **Option holding**

The number of options over ordinary shares in the parent entity held during the twelve months ended 30 June 2018 by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 01/07/17	Granted	Exercised	Lapsed/ Forfeited/ Other[3]	Balance 30/06/18
Parent Entity Directors					
Mr G. Newman	-	-	-	-	-
Mr T. Martin	-	-	-	-	-
Mr. C Buss[1]					
Mr P. Fallourd	2,000,000	-	-	-	2,000,000
Other key management personnel					
Mr T. Harris[3]	1,500,000	-	-	1,500,000	-
Ms D. Kubicki[2]	-	-	-	-	-
Mr M. Longhurst	1,000,000	-	-	-	1,000,000
	4,500,000	**-**	**-**	**1,500,000**	**3,000,000**

Notes:

1. Mr. C Buss was appointed 1 February 2018 as Non-Executive Director.
2. Ms. D Kubicki was appointed 26 March 2018 as Chief Financial Officer.
3. Mr T Harris resigned from his position on 29 January 2018 hence 100% of his unlisted options were forfeited upon resignation.

This is the end of the Audited Remuneration Report.

DIRECTORS' REPORT

14. Auditor's Independance Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30.

Signed in accordance with a resolution of the Directors.

Geoff Newman
Chairman
30 August 2018

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ATLAS PEARLS LTD

As lead auditor of Atlas Pearls Ltd for the year ended 30 June 2018, 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 Ltd and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 $	2017 $
Revenue from continuing operations	3	**14,210,795**	16,355,404
Cost of goods sold		**(8,909,878)**	(8,938,039)
Gross profit		**5,300,917**	7,417,365
Other income	3	**531,016**	1,800,532
Administration expenses	5	**(5,586,504)**	(6,144,142)
Finance costs	5	**(331,386)**	(462,683)
Marketing expenses		**(344,577)**	(484,778)
Change in fair value less husbandry costs of oysters		**(287,128)**	57,074
Write-off of pearl and jewellery costs		**(324,982)**	(263,441)
Other expenses	5	**(941,472)**	(931,695)
Share of equity accounted investment		**-**	(183,744)
Profit/(Loss) before income tax		**(1,984,116)**	804,487
Income tax /(charge) benefit current year	7	**(49,983)**	96,094
Profit/(Loss) after income tax for the period from continuing operations		**(2,034,099)**	900,581
Other comprehensive income/(losses)			
Items that will not be reclassified as profit or loss:			
Revaluation of land and buildings		**-**	179,179
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		**(509,503)**	(645,139)
Other comprehensive income/(losses) for the period, net of tax		**(509,503)**	(465,960)
Total comprehensive income/(losses) for the period		**(2,543,602)**	434,621
Profit/(loss) is attributable to:			
Owners of the Company		**(2,034,099)**	900,581
Total comprehensive income/(losses) is attributable to: Owners of the Company		**(2,543,602)**	434,621
Overall operations:			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings profit/(loss) per share **(cents)**	6	**(0.48)**	0.21
Diluted earnings per share **(cents)**	6	**-**	0.21

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	2018 $	2017 $
Current assets			
Cash and cash equivalents	8	**1,278,873**	2,184,968
Trade and other receivables	10	**872,865**	856,382
Derivative financial instruments	14	**6,465**	156,639
Inventories	9	**1,968,744**	1,508,465
Biological assets	4	**9,204,890**	8,728,104
Total current assets		**13,331,837**	13,434,558
Non-current assets			
Loans to joint venture entities	23	**1,262,848**	1,226,871
Inventories	9	**-**	108,901
Biological assets	4	**8,080,344**	10,471,069
Property, plant and equipment	12	**5,035,034**	5,298,579
Deferred tax assets	7	**3,999,752**	3,638,436
Total non-current assets		**18,377,978**	20,743,856
Total assets		**31,709,815**	34,178,414
Current liabilities			
Trade and other payables	11	**2,299,323**	2,612,940
Borrowings	13	**2,310,482**	278,722
Current tax liabilities	7	**115,691**	260,538
Total current liabilities		**4,725,496**	3,152,200
Non-current liabilities			
Borrowings	13	**1,750,000**	3,250,000
Deferred tax liabilities	7	**1,207,104**	1,316,458
Provisions		**128,091**	17,030
Total non-current liabilities		**3,085,195**	4,583,488
Total liabilities		**7,810,691**	7,735,688
Net assets		**23,899,124**	26,442,726
Equity			
Contributed equity	15	**36,857,415**	36,857,415
Reserves	16	**(9,351,359)**	(8,841,856)
(Accumulated losses)		**(3,606,932)**	(1,572,833)
Total equity		**23,899,124**	26,442,726

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					
	Note	Contributed Equity $	Revaluation Reserve $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	(Accumulated loss) $	Total Equity $
Balance at 1 July 2016		36,698,536	-	714,605	(9,115,083)	(2,473,414)	25,824,644
Profit for the year		-	-	-	-	900,581	900,581
Exchange differences on translation of foreign operations	16	-	-	-	(645,139)	-	(645,139)
Revaluation of property, plant and equipment	16	-	179,179	-	-	-	179,179
Total comprehensive income for the period		-	179,179	-	(645,139)	900,581	434,621
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	15	158,879	-	-	-	-	158,879
Employee share scheme	16	-	-	24,582	-	-	24,582
Balance at 30 June 2017		**36,857,415**	**179,179**	**739,187**	**(9,760,222)**	**(1,572,833)**	**26,442,726**
Balances at 1 July 2017		36,857,415	179,179	739,187	(9,760,222)	(1,572,833)	26,442,726
Profit for the year		-	-	-	-	(2,034,099)	(2,034,099)
Exchange differences on translation of foreign operations	16	-	-	-	(509,503)	-	(509,503)
Revaluation of property, plant and equipment	16	-	-	-	-	-	-
Total comprehensive income / (loss) for the period		-	-	-	(509,503)	(2,034,099)	(2,543,602)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	15	-	-	-	-	-	-
Employee share scheme	16	-	-	-	-	-	-
Balance at 30 June 2018		**36,857,415**	**179,179**	**739,187**	**(10,269,725)**	**(3,606,932)**	**23,899,124**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 $	2017 $
Cash flows from operating activities			
Proceeds from pearl, jewellery and oyster sales		**13,834,132**	15,875,707
Proceeds from other operating activities		**341,750**	402,952
Payments to suppliers and employees		**(14,175,404)**	(15,529,227)
Income tax (paid)		**(433,886)**	(517,023)
Interest paid		**(270,677)**	(310,669)
Interest received		**3,005**	8,183
Net cash (used) in operating activities	8	**(701,080)**	(70,077)
Cash flows from investing activities			
Payments for property, plant and equipment		**(675,794)**	(1,307,180)
Joint venture partnership contributions (paid)		**-**	(221,748)
Net cash (used) in investing activities		**(675,794)**	(1,528,928)
Cash flows from financing activities			
Net repayment of borrowings		**(1,507,622)**	(3,990,904)
Proceeds from borrowings		**1,935,411**	3,500,000
Net cash provided (used) in financing activities		**427,789**	(490,904)
Net decrease in cash and cash equivalents		**(949,085)**	(2,089,909)
Cash and cash equivalents at the beginning of the period		**2,184,968**	4,343,407
Effects of exchange rate changes on cash and cash equivalents		**42,990**	(68,530)
Cash and cash equivalents at the end of the financial year	8	**1,278,873**	2,184,968

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

INDEX OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

PART A BASIS OF PREPERATION

1. *Basis of Preperation*

1.1. BASIS OF PREPARATION

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

The financial statements cover the consolidated entity of Atlas Pearls 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 2018. The Directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

1.2. GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of the business.

The net loss after tax for the Group for the year ended 30 June 2018 amounts to a loss of $2.0M (30 June 2018: $0.9M profit). At 30 June 2018 the Group had a working capital balance of $7.3M (30 June 2017: $8.1M); $9.2M (30 June 2017: $8.7M) of this balance comprised of unharvested oysters due for harvest during the next 12 months. At 30 June 2018, the Group had a net asset position of $23.9M (30 June 2017: $26.4M); $17.3M (30 June 2017: $19.2M) of this balance comprised of unharvested oysters.

During the year ended 30 June 2017, the Group's debt was restructured and new investment obtained to increase oyster stocks and drive the Group's long term strategic plan. This strategy remains on course, with higher seeding targets and increased oyster stock. Oyster stocks on hand (seeded and unseeded) at 30 June 2018 is 2.3M shells (30 June 17: 2.0M shells).

The Group, however, has not met its revenue forecasts for the year. Whilst the number of pieces expected to be harvested, as well as selling prices achieved at market, have been on target, the proportion of goods harvested at a sellable grade and the overall weight of the harvests have been lower than expected. This had an impact on the revenue result and oyster valuation for the year, as well as on cash flow receipts.

Consequently, further cash flow funding will be required to bridge working capital requirements until the benefits of the growth strategy can be realised. The Company has secured short term funding arrangements with commercial partners, with a view for these to be repaid in full over the next 12 months. Funding of US$600,000 was obtained in May 2018, repayable by 30 April 2019. Funding of ¥165M was obtained in July 2018, repayable by 30 June 2019.

The Group's core debt facility remains in place and repayments are expected to be made on schedule. The balance of the debt owing to the Martin Family is $3.25M at 30 June 2018. A payment of $250k was made in February 2018 as scheduled. The loan is to be repaid in staggered payments by June 2020.

The ability of the Group to both meet its debt repayments and continue to fund its working capital requirements are dependent upon:

- the international market for wholesale loose white south sea pearls maintaining existing demand levels and pricing;
- the Group meeting its auction forecasts;
- the quality of harvested pearls meeting valuation expectations;
- the Group achieving profitable operations with positive operating cash flows; and
- obtaining short term funding to bridge working capital requirements

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its' liabilities in the normal course of business.

Management have reasonable grounds to believe that the Group will continue as a going concern. The profile of the most recent pearl harvest is an improvement on the previous six month average. Short term funding has been obtained and will enable the Company to effectively manage its harvest schedule.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. This financial report does not include any adjustments relating to the recovery and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosure that may be necessary should the Group be unable to continue as a going concern.

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.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale. Management also considers the business from a geographical perspective and has identified four reportable segments. 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 wholesale business is a producer and supplier of pearls within the wholesale market. The retail business is the manufacture and sale of pearl jewellery and related products within the retail market.

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 based on an internally set transfer price. 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.

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 30 June 2018 is as follows:

	Wholesale Loose Pearls		Jewellery		Total
30 June 2018	**Australia**	**Indonesia**	**Australia**	**Indonesia**	
	$	**$**	**$**	**$**	**$**
Total segment revenue	13,145,811	12,962,715	221,473	511,665	**26,841,664**
Inter-segment revenue	-	(12,681,580)	-	-	**(12,681,580)**
Revenue from external customers	**13,145,811**	**281,135**	**221,473**	**511,665**	**14,160,084**
Normalised EBITDA	**(2,262,887)**	**2,062,341**	**(312,602)**	**(48,120)**	**(561,269)**
Adjusted net operating profit/(loss) before income tax	**(2,669,656)**	**2,006,307**	**(345,686)**	**(64,292)**	**(1,073,328)**
Depreciation and amortisation	149,610	56,662	33,084	16,246	**255,602**
Revaluation of Biological Assets	-	(287,128)	-	-	**(287,128)**
Totals segment assets	**1,921,577**	**23,387,021**	**301,816**	**836,207**	**26,446,622**
Total assets include:					
Additions to non – current assets (other than financial assets or deferred tax)	-	657,065	226	18,503	**675,794**
Total segment liabilities	**(539,440)**	**(1,812,958)**	**(8,928)**	**(20,896)**	**(2,382,222)**

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 30 June 2017 is as follows:

30 June 2017	Wholesale Loose Pearls		Jewellery		Total
	Australia	Indonesia	Australia	Indonesia	
	$	$	$	$	$
Total segment revenue	15,343,728	12,141,560	370,470	351,104	**28,206,862**
Inter-segment revenue	-	(11,905,271)	-	-	**(11,905,271)**
Revenue from external customers	**15,343,728**	**236,289**	**370,470**	**351,104**	**16,301,591**
Normalised EBITDA	**(288,056)**	**1,843,201**	**(394,221)**	**(145,670)**	**1,015,254**
Adjusted net operating profit/(loss) before income tax	**(938,190)**	**1,719,381**	**(433,026)**	**(161,670)**	**186,495**
Depreciation and amortisation	309,420	106,455	38,125	16,030	**470,030**
Revaluation of Biological Assets	-	57,074	-	-	**57,074**
Totals segment assets	**3,267,839**	**24,722,448**	**450,387**	**871,896**	**29,312,571**
Total assets include:					
Additions to non – current assets (other than financial assets or deferred tax)	-	1,464,843	3,109	18,409	**1,486,361**
Total segment liabilities	**(656,239)**	**(1,914,665)**	**(34,023)**	**(20,594)**	**(2,625,521)**

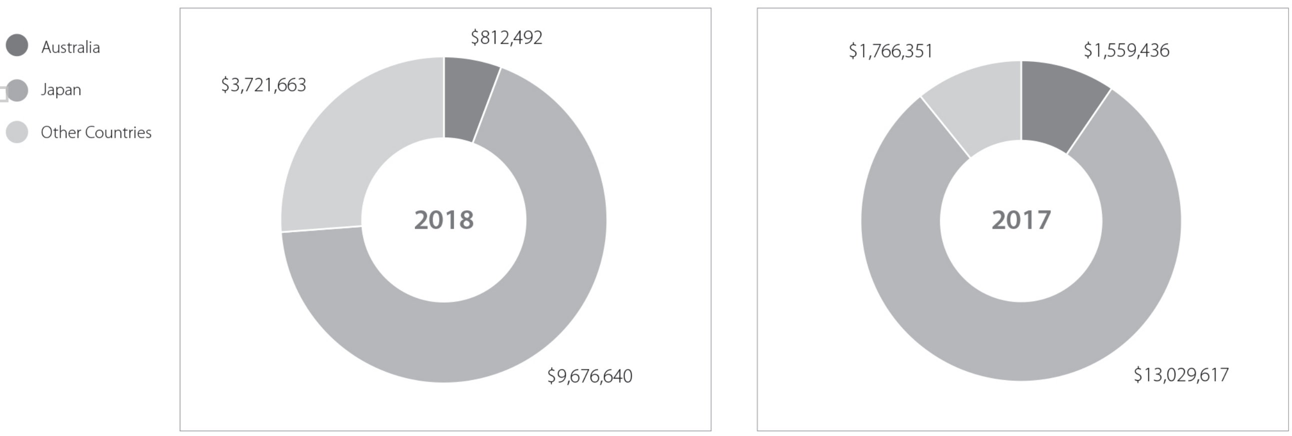
2.2. OTHER SEGMENT INFORMATION

(i) Segment revenue

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

	2018 $	2017 $
Total Segment Revenue	**26,841,664**	28,206,862
Intersegment eliminations	**(12,681,580)**	(11,905,271)
Interest income	**48,605**	53,813
Other revenues	**2,106**	-
Total revenue from continuing operations (Note 3)	**14,210,795**	16,355,404

Major customers by country



(ii) 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:

	2018 $	2017 $
Net Operating Profit Before Tax	**(1,073,328)**	186,495
Changes in fair value of biological and agricultural assets	**(612,110)**	(206,367)
Foreign exchange gains	**473,996**	1,331,955
Foreign exchange losses	**(622,501)**	(733,814)
Other	**(150,174)**	226,218
Profit/(loss) before income tax from continuing operations	**(1,984,116)**	804,487

(iii) 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:

	2018 $	2017 $
Segment Assets	**26,446,622**	29,312,571
Unallocated:		
Joint Venture Loans	**1,263,441**	1,227,407
Deferred tax assets	**3,999,752**	3,638,436
Total assets as per the statement of financial position	**31,709,815**	34,178,414

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $916,388 (30 June 2017: $1,139,452). The total located in Indonesia is $15,400,741 (30 June 2017: $16,389,934).

(iv) 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:

	2018 $	2017 $
Segment Liabilities	**2,382,222**	2,625,521
Unallocated:		
Current tax liabilities	**115,691**	260,538
Borrowings	**4,060,482**	3,528,722
Deferred tax liabilities	**1,207,104**	1,316,453
Other	**45,192**	4,454
Total liabilities as per the statement of financial position	**7,810,691**	7,735,688

(v) Normalised EBITDA reconciliation

	2018 $	2017 $
Net profit before tax	**(1,984,116)**	804,487
Finance/Interest paid	**256,458**	256,886
Depreciation/Amortisation	**255,601**	470,030
FX (gain)/loss	**148,504**	(598,095)
Agriculture standard revaluation	**612,110**	206,367
Other non-operating (income)/expense	**-**	285,812
(Gain) / Loss on derivative instruments	**150,174**	(409,963)
Normalised EBITDA	**(561,269)**	1,015,524

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

3. *Revenue from Continnuing Operations*

3.1. REVENUE FROM CONTINUING OPERATIONS

	2018 $	2017 $
SALES REVENUE		
Sale of goods	**14,160,084**	16,301,591
OTHER REVENUE		
Interest income	**48,605**	53,813
Other Revenues	**2,106**	-
Total revenue from continuing operations	**14,210,795**	16,355,404

3.2. OTHER INCOME

	2018 $	2017 $
Foreign exchange gains	**473,996**	1,331,955
Grant funds	**56,721**	58,614
Gain on derivative financial instruments	**-**	409,963
Gain on sale of assets	**299**	-
Total other income	**531,016**	1,800,532

SIGNIFICANT ACCOUNTING POLICY

Revenue from sales is recognised at the fair value of consideration received or receivable, after deducting sales taxes, when the control of a good or service transfers to the customer. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognised:

a) Sales Revenue comprises of revenue earned from the sale of products or services to entities outside the economic entity. Sales revenue is recognised when the goods are provided or when the fee in respect of services provided is receivable.

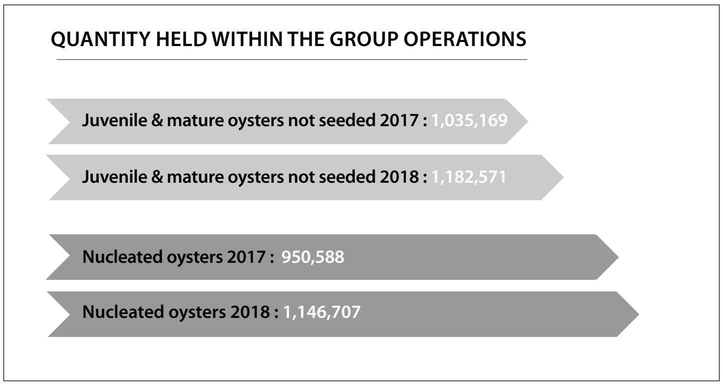
b) Interest Income is recognised as it accrues.

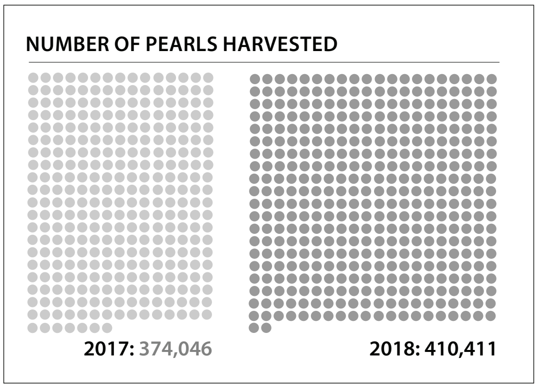
4. *Biological Assets*

	2018 $	2017 $
CURRENT		
Oysters – at fair value	**9,204,890**	8,728,104
Total current biological assets	**9,204,890**	8,728,104
NON CURRENT		
Oysters – at fair value	**8,080,344**	10,471,069
Total non-current biological assets	**8,080,344**	10,471,069
Total biological assets	**17,285,234**	19,199,173

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 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 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	2018	2017	Commentary
Average selling price	**¥12,600 per momme**	¥12,300 per momme	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	**¥81.90: AUD 1**	¥86.15: AUD 1	Based on forward Yen price per a financial institution.
Average pearl size	**0.44**	0.49	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months
Proportion of marketable grade	**41%**	48%	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	**$2.04**	$1.50	Based on independent valuation
Costs to complete	**$0.76**	$0.76	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:

	Selling Price (¥/momme)		
	-10% ¥11,340 (Sellable Grade) ¥1,800 (Commercial Grade)	No Change ¥12,600 (Sellable Grade) ¥2,000 (Commerical Grade)	+10% ¥13,860 (Sellable Grade) ¥2,200 (Commercial Grade)
Discount rate	**Profit $**	**Profit $**	**Profit $**
22%	($856,429)	($403,653)	$49,123
20%	($452,776)	-	$452,776
18%	($31,931)	$420,845	$873,622

	Selling Price (¥/momme)		
	-10% ¥11,340 (Sellable Grade) ¥1,800 (Commercial Grade)	No Change ¥12,600 (Sellable Grade) ¥2,000 (Commerical Grade)	+10% ¥13,860 (Sellable Grade) ¥2,200 (Commercial Grade)
FX Rate	**Profit $**	**Profit $**	**Profit $**
90.09	($3,062,503)	($2,653,045)	($2,243,587)
81.90	($452,776)	($287,129)	$452,776
73.71	$2,777,044	$3,283,405	$3,789,766

	Sellable %		
	-10% 37% (Sellable %) 63% (Commercial %)	No Change 41% (Sellable %) 59% (Commercial %)	+10% 45% (Sellable %) 55% (Commercial %)
Av. Weight	**Profit $**	**Profit $**	**Profit $**
0.49	$605,353	$2,765,788	$4,933,707
0.44	($1,964,032)	($287,129)	$1,970,835
0.40	($4,434,750)	($2,659,396)	($877,919)

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

5.1. ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	2018 $	2017 $
Salaries and wages	**3,242,808**	3,530,469
Depreciation property, plant and equipment and amortisation of intangible assets	**255,602**	470,030
Operating lease rental costs	**612,062**	522,288
Compliance and Accounting	**558,600**	474,951
Other	**917,432**	1,146,404
Total administration expenses	**5,586,504**	6,144,142

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.2. FINANCE COSTS

	2018 $	2017 $
Interest and finance charges payable	**331,386**	462,683
Total finance costs	**331,386**	462,683

5.3. OTHER EXPENSES

	2018 $	2017 $
Loss on foreign exchange	**622,501**	733,814
Loss on derivative financial instruments	**150,174**	-
Provision for employee entitlements	**92,641**	116,670
Share option expense	**-**	24,582
Other	**76,156**	56,629
Total other expenses	**941,472**	931,695

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

	2018 $	2017 $
Basic earnings/(loss) per share (cents per share)	**(0.48)**	0.21
Diluted earnings per share (cents per share)	**-**	0.21

6.1. EARNINGS RECONCILIATION

	2018 $	2017 $
Net profit/(loss) used for basic earnings	**(2,034,099)**	900,581
After tax effect of dilutive securities	**-**	-
Diluted earnings/(loss)	**(2,034,099)**	900,581

	2018 No.	2017 No.
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	**422,218,298**	421,525,077
Adjustments for calculation of diluted earnings per share: options	**3,000,000**	4,500,000
Weighted average number of potential ordinary shares outstanding during the period used for calculation of diluted earnings per share	**425,218,298**	426,025,077

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 2018 as potential ordinary shares which may have a dilutive effect on the profit of the Consolidated 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. Refer to Note 26.1 for further detail.

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. Refer to Note 26.1 for further detail.

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

PART C TAX

7. *Tax*

7.1. INCOME TAX EXPENSE

	2018 $	2017 $
(a) The components of tax expense/(benefit) comprise:		
Current tax	**520,651**	505,893
Deferred tax	**(470,668)**	(601,986)
Income tax expense/(benefit)	**49,983**	(96,094)
(b) Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (excluding tax losses) (note 7.2)	**(1,044,821)**	(602,629)
Decrease/(increase) to opening balances	**687,483**	-
(Decrease)/increase in deferred tax liabilities (note 7.2)	**(113,330)**	643
Deferred tax expense/(benefit)	**(470,668)**	(601,986)
(c) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax expense	**(1,984,116)**	804,487
Tax at the Australian tax rate of 27.5%	**(545,632)**	241,346
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	**72,586**	66,750
Sundry items	**183,827**	22,322
Permanent differences	**(24,691)**	(34,331)
Difference in overseas tax rates	**(3,544)**	(93,566)
De-recognition of assets	**367,437**	400,840
Income tax under(over) provided in prior years	**-**	(699,454)
Income tax expense/(benefit)	**49,983**	(96,094)
Weighted average effective tax rates	**-3%**	-3%
(d) Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Fair value adjustment on biological assets	**63,859**	14,270
Prepayments	**277**	189
Derivative financial instruments	**45,214**	(1,120)
Investment in subsidiary	**-**	(11,302)
Unrealised foreign exchange gain	**-**	(1,394)
Deferred tax assets		
Difference in accounting and tax depreciation	**(6,167)**	(7,934)
Stock	**18,711**	24,935
Accruals	**1,900**	(18,884)
Provisions	**46,689**	(37,265)
Other	**615**	(15,036)
Tax losses	**324,881**	1,010,482
Investment	**(25,311)**	(285,669)
Intangible Asset	**-**	(69,287)
Deferred tax/(income)	**470,668**	601,986

For details of the franking account, refer to Note 17

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

7.2. TAX ASSETS AND LIABILITIES

	2018 $	2017 $
(a) Liabilities		
CURRENT		
Income tax payable	**115,691**	260,538
NON-CURRENT		
Deferred tax liabilities comprises temporary differences attributable to:		
Agricultural and biological assets at fair value	**1,204,885**	1,268,744
Prepayments	**441**	718
Current derivative instruments	**1,778**	46,996
Total deferred tax liabilities	**1,207,104**	1,316,458
(b) Assets		
Deferred tax assets comprises temporary differences attributable to:		
Tax allowances relating to property, plant & equipment	**19,265**	25,432
Agricultural and biological assets at fair value	**88,440**	69,731
Accruals	**22,150**	20,250
Provisions	**443,406**	396,717
Impairment of loans	**277,908**	303,219
Other	**47,763**	47,150
	898,932	862,499
Tax losses recognised	**3,100,820**	2,775,937
Total deferred tax assets	**3,999,752**	3,638,436

The Company believes that the deferred tax asset relating to tax losses recognised is available to be carried forward based upon the Company's projections of future taxable amounts.

(c) Reconciliations

The overall movement in deferred tax account is as follows:

	2018 $	2017 $
Opening balance	**2,321,982**	1,719,996
(Charge)/credit to statement of profit or loss and other comprehensive income	**1,158,151**	601,986
(Charge)/credit for adjustment to Australian tax	**(687,483)**	
Closing balance	**2,792,650**	2,321,982

SIGNIFICANT ACCOUNTING POLICY

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.

In April 2017, the Australian Government passed legislation which reduces the corporate rate for small and medium business entities from 30% to 25% over the next decade. As Atlas Pearls has a turnover of more than $10M but less than $50M it qualifies as a medium business entity and the effective tax rate of 27.5%. Atlas Pearls will be subject to the reduced rates from the 2016-17 income year onwards.

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

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 liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

PART D CASH FLOW INFORMATION

8. Cash and Cash Equivalents

	2018 $	2017 $
Cash at bank	1,278,873	2,184,968
Balances per statement of cash-flows	**1,278,873**	**2,184,968**

Risk exposure

The Group's exposure to interest rate risk is disclosed in note 18. 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 agreement totalling $100,000 (30 June 2017: $100,000).

8.1. NOTES TO THE CASH FLOW STATEMENT

8.1.1. RECONCILIATION OF CASH

For the purposes of the statement of cashflows, 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 cashflows 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

	2018 $	2017 $
Profit/(loss) after income tax	**(2,034,099)**	900,581
Depreciation and amortisation	**255,601**	470,030
(Gains)/losses on Equity Investments	**-**	183,744
Investment income	**(45,600)**	(57,896)
Share based payments	**-**	24,582
Foreign exchange (gain)/losses unrealised	**244,839**	(16,644)
Derivative instrument (gains)/losses unrealised	**150,174**	(409,963)
Agricultural asset fair value (gains)/losses	**612,110**	206,367
Decrease/(increase) in trade and other debtors	**(29,552)**	(130,366)
Decrease/(increase) in inventories	**950,451**	(340,220)
(Decrease)/increase in trade and other creditors	**(188,879)**	53,223
Increase/(decrease) in provision	**37,598**	50,042
Increase/(decrease) in taxes	**(653,723)**	(1,003,557)
Net cash obtained/ (used in) operating activities	**(701,080)**	(70,077)

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 2018, the Company had in place a bank overdraft loan facility with the National Australia Bank with a limit of $1.5M (30 June 2017: $1.0M).

8.1.4. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				Non-Cash Changes			
	Opening Balance 2017 $	Cash Flows $	Acquisition $	Foreign Exchange Movements $	Fair Value Changes $	Reclassification in Balance Sheet $	Closing Balance 2018 $
Long-term borrowings	3,250,000	-	-	-	-	(1,500,000)	1,750,000
Short-term borrowings	278,722	427,789	-	103,971	-	1,500,000	2,310,482
Lease liabilities	-	-	-	-	-	-	-
Assets held to hedge long-term borrowings	-	-	-	-	-	-	-
Total liabilities from financing activities	**3,528,722**	**427,789**	**-**	**103,971**	**-**	**-**	**4,060,482**

PART E WORKING CAPITAL

9. *Inventories*

	2018 $	2017 $
CURRENT		
Pearls	**1,161,282**	495,532
Jewellery	**808,462**	939,062
Other inventory	**-**	73,871
Total current inventory	**1,968,744**	1,508,465
NON CURRENT		
Nuclei	**-**	108,901
Total non-current inventory	**1,968,744**	1,617,366

SIGNIFICANT ACCOUNTING POLICY

Pearls: Pearl inventory is held at cost and value assessed based on the cost 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 2018, a write off of pearl stocks of $324,982 has been recorded (30 June 2017: $263,441) to bring the value in line with the assessed net realisable value.

Nuclei: Quantities on hand at the period end are valued at the lower of cost and net realisable value.

Other inventory: Including cosmetics, fuel, mechanical parts and farm spares at the period end are valued at the lower of costs and net realisable value.

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 Receivables*

	2018 $	2017 $
CURRENT		
Trade receivables	**341,036**	349,331
Provision for doubtful debts	**(3,665)**	(43,090)
Net trade receivables	**337,371**	306,241
Sundry debtors & prepayments	**535,494**	550,141
Total trade & other receivables	**872,865**	856,382

(a) Impaired trade receivables

At 30 June 2018, an impairment of $3,665 has been booked in relation to trade receivables. This relates to debts owing from a wholesale customer which is past due by more than three months and which management have deemed at risk of not being collected. Management are actively pursuing recovery of the debt.

(b) Past due but not impaired

As at 30 June 2018, trade receivables of $12,363 (30 June 2017: $56,726) were past due but not impaired in the Group. Within the Group these relate to a small number of independent customers for whom there is no recent history of default. Given the past history with these customers no impairment has been recognised in the financial period. The ageing analysis of these trade receivables is as follows:

	2018 $	2017 $
Up to one month	**5,108**	53,546
2-3 months	**2,868**	3,180
3 months and above	**4,387**	-
	12,363	**56,726**

(c) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 18 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11. *Trade and Other Payables*

	2018 $	2017 $
CURRENT		
Trade payables	**425,668**	520,963
Other payables and accrued expenses	**1,745,564**	2,091,977
Total current trade and other payables	**2,171,232**	2,612,940
NON-CURRENT		
Other payables and accrued expenses	**128,091**	-
Total non-current trade and other payables	**128,091**	-

Other payables include accruals for annual leave and employee benefits of $1,574,103, and (30 Jue 2017: $1,647,565) in the consolidated entity. Non-current other payables comprises of accrued long service leave for employees with more than five year tenure with the Company and provision for make good of commercial rent.

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

12. *Property, plant and equipment*

	2018 $	2017 $
(a) Non-Pearling Assets		
Plant and equipment		
- at cost	**1,096,538**	1,137,838
- accumulated depreciation	**(851,950)**	(782,898)
	244,588	354,940
Leasehold improvements		
- at cost	**1,032,844**	1,045,347
- accumulated depreciation	**(654,949)**	(586,044)
	377,895	459,303
Total non-pearling assets	**622,483**	814,243
(b) Pearling project		
Land (leasehold and freehold) and buildings		
- at cost	**2,211,080**	2,861,215
- accumulated depreciation	**(436,722)**	(391,702)
	1,774,358	2,469,513
Plant and equipment, vessels, vehicles		
- at cost	**7,376,010**	6,361,985
- accumulated depreciation	**(4,737,817)**	(4,347,162)
	2,638,193	2,014,823
Total pearling project	**4,412,551**	4,484,336
Total property, plant and equipment	**5,035,034**	5,298,579

Included in Pearling project land (leasehold and freehold) and buildings is $532,797 (30 June 2017: $1,519,873) which represents construction of buildings in progress at cost.

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	2018 $	2017 $
(a) Non-Pearling Assets		
Plant and equipment		
Carrying amount at beginning of the year	**354,940**	457,918
Additions	**18,730**	21,518
Reclassifications /Disposals	**(5,536)**	-
Depreciation	**(123,260)**	(107,936)
Foreign exchange movement	**(286)**	(16,560)
Carrying amount at end of the year	**244,588**	354,940
Leasehold Improvements		
Carrying amount at beginning of the year	**459,303**	543,894
Additions	**-**	-
Reclassifications/Disposals	**-**	-
Depreciation	**(75,616)**	(76,066)
Foreign exchange movement	**(5,792)**	(8,525)
Carrying amount at end of the year	**377,895**	459,303

	2018 $	2017 $
(b) Pearling project		
Leasehold land and buildings		
Carrying amount at beginning of the year	**2,469,513**	1,327,333
Additions	**509,576**	1,073,500
Revaluation of freehold land	**(1,068,764)**	179,179
Depreciation	**(57,471)**	(54,376)
Foreign exchange movement	**(78,496)**	(56,123)
Carrying amount at end of the year	**1,774,358**	2,469,513
Plant and equipment, vessels, vehicles		
Carrying amount at beginning of the year	**2,014,822**	2,411,670
Additions	**147,488**	212,164
Disposals / reclassifications	**1,068,764**	-
Depreciation	**(528,837)**	(506,807)
Foreign exchange movement	**(64,044)**	(102,204)
Carrying amount at end of the year	**2,638,193**	2,014,823
Total Carrying amount	**5,035,034**	5,298,579

Reconciliation of depreciation to the Statement of Profit or Loss and Other Comprehensive Income:

	2018 $	2017 $
Depreciation charge (Note 12)	**(785,184)**	(745,185)
Capitalised depreciation charge	**529,582**	437,124
Depreciation of property, plant and equipment	**(255,602)**	(308,061)
Depreciation of PPE	**(255,602)**	(308,061)
Amortisation of Intangible Asset	**-**	(161,969)
Depreciation charge (Note 5)	**(255,602)**	(470,030)

SIGNIFICANT ACCOUNTING POLICY

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 economic entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future economic 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%).

PART G FUNDING, CAPITAL MANAGEMENT AND EQUITY

13. *Borrowings*

	2018 $	2017 $
CURRENT		
Other loans	2,310,482	278,722
Total current borrowings	2,310,482	278,722
NON CURRENT		
Other loans	1,750,000	3,250,000
Total non-current borrowings	1,750,000	3,250,000
Total borrowings	4,060,482	3,528,722

Refer to Note 18.4 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, cancelled 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. *Derivative Financial Instruments*

	2018 $	2017 $
Forward foreign exchange contracts	**6,465**	156,639

SIGNIFICANT ACCOUNTING POLICY

Derivative instruments are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The Group is party to derivative financial instruments in the normal course of business in order to hedge a proportion of the exposure to fluctuations in foreign exchange rates in accordance with the Groups financial risk policies (refer note 18).

Derivative financial assets and liabilities comprise forward exchange contracts and non-deliverable forwards. Gains and losses arising from changes in fair value of foreign exchange hedging contracts are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The Groups operating expenses mainly consist of materials and services purchased in Indonesian Rupiah. During the period ended 30 June 2018 the Group has entered into non deliverable forwards to sell Australian Dollars and receive Indonesian Rupiah. The sale of pearls is denominated in Japanese Yen and so the Group has entered into forward exchange contracts and options to sell Japanese Yen and receive Australian Dollars.

15. Contributed equity

	2018 No. of Shares	2017 No. of shares	2018 $	2017 $
Issued and fully paid-up capital	**422,909,620**	424,809,620	**38,857,415**	38,857,415
Ordinary Shares				
Balance at beginning of period	**424,809,620**	421,280,906	**36,857,415**	36,698,536
Shares issued	**-**	3,528,714	**-**	158,879
Share transaction costs	**-**	-	**-**	-
Balance at end of period	**424,809,620**	424,809,620	**36,857,415**	36,857,415
Treasury Shares				
Balance at beginning of period	**3,062,138**	4,117,694		
Shares released	**-**	(1,055,556)		
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 course of financial year ended 30 June 2018 to employees as part of the Atlas employee share salary sacrifice plan (30 June 2017: 1,055,556).

(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 3,000,000 unlisted options on issue at 30 June 2018. Information relating to the Atlas Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the end of the reporting period, is set out in note 26.

(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 17% at 30 June 2018 (30 June 2017 : 13%)

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.

16. Reserves

	2018 $	2017 $
Foreign Currency Translation Reserve	**(10,269,725)**	(9,760,222)
Employee Share wReserve	**739,187**	739,187
Revaluation Reserve	**179,179**	179,179
Total Reserves	**(9,351,359)**	(8,841,856)
Movements:		
Foreign Currency Translation Reserve[1]		
Balance at beginning of year	**(9,760,222)**	(9,115,083)
Currency translation differences arising during the Year	**(509,503)**	(645,139)
Balance at end of year	**(10,269,726)**	(9,760,222)
Employee Share Reserve[2]		
Balance at beginning of period	**739,187**	714,605
Movement in Employee Share Reserve	**-**	24,582
Balance at end of year	**739,187**	739,187
Revaluation Reserve[3]		
Balance at beginning of period	**179,179**	-
Movement in Revaluation Reserve	**-**	179,179
Balance at end of year	**179,179**	179,179

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.

17. Dividends

	2018 $	2017 $
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 27.5%.	**1,305,572**	1,278,704

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 2018 financial year or the period ended 30 June 2017.

PART H FINANCIAL RISK MANAGEMENT

18. *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:

	2018 $	2017 $
Financial Assets		
Cash and cash equivalents	**1,278,873**	2,184,968
Trade and other receivables	**361,707**	326,396
Derivative financial instruments	**6,465**	156,639
Total financial assets	**1,647,045**	2,668,003
Financial Liabilities		
Trade and other payables	**426,668**	525,009
Borrowings	**4,060,482**	3,528,722
Total financial liabilities	**4,487,150**	4,053,731

18.1. 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, Indonesian Rupiah and US Dollars.

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 US Dollars and Japanese Yen increasing or decreasing by 10% and the effect on profit and equity.

	Statement of Financial Position Amount AUD		Foreign Exchange Rate Risk							
			30 June 2018				30 June 2017			
			-10%		10%		-10%		10%	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	2018	2017								
Financial Assets										
Cash	**1,278,873**	2,184,968	**17,236**	**-**	**(14,102)**	**-**	5,249	-	(4,294)	-
Trade and other receivables	**361,707**	326,396	**27,992**	**-**	**(22,902)**	**-**	20,650	-	(16,895)	-
Derivatives	**6,465**	156,639	**1,460**	**-**	**(1,194)**	**-**	17,404	-	(14,240)	-
Financial Liabilities										
Trade and other payables	**426,668**	525,009	**(4,431)**	**-**	**3,626**	**-**	(4,091)	-	3,347	-
Borrowings	**4,060,482**	3,528,722	**(90,054)**	**-**	**73,680**	**-**	-	-	-	-
Derivatives	**-**	-	**(741)**	**-**	**607**	**-**	-	-	-	-
Total Increase/(Decrease)			**(48,539)**	**-**	**39,714**	**-**	39,212	-	(32,082)	-

The majority of the exposure above relates to borrowings held in USD. Trade debtors relates to sales made in JPY. Current borrowings are all held in AUD and USD. Not shown in the table above is the exposure to exchange movements on the intercompany 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 2018 was $2,606,814 (30 June 2017: AUD$2,463,005). The intercompany 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. Current borrowings are repayable by 30 April 2019 and non-current borrowings are repayable by 30 June 2020, both are at fixed interest rates. 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.

18.2. 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 wholesale and retail 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 on page 55. For retail customers without credit rating the Group generally retains title over the goods sold until payment is received in full.

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.

Trade receivables	2018 $	2017 $
Wholesale customers – existing customers previous defaults	**312,055**	305,348
Derivative financial assets	**6,465**	156,639

18.3. 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 undrawn 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.

18.4. FINANCING ARRANGEMENTS

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

Fixed rate	2018 $	2017 $
Foreign currency trade loans	**810,482**	-
Overdraft facility (NAB)	**1,500,000**	1,000,000
	2,310,482	1,000,000

- During the period ended 30 June 2018, the Company has agreed to an additional $500,000 to the existing $1,000,000 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 2018, no amount has been drawn down on this facility.
- A repayment of $250,000 has been made to the debt financing package of $3,500,000 from Mr. Martin (Non-Executive Director) and the Martin Family (a related party) in February 2018. The loan commenced in January 2017 and is repayable over a three year period at a 7.5% interest rate, in staged repayments to be completed by 30 June 2020. The outstanding loan balance at 30 June 2018 is $3,250,000.
- On the resolution to the General Meeting held on 13 September 2017, the loan agreement with the Martin Family has been granted security as a second priority charge over the Company's assets, behind the NAB facility. It has been approved by the shareholders in the event the Company defaults on its repayment terms as noted above, the outstanding debt and interest will only be convertible into ordinary shares with convertibility being at the lender's election. In that event, the conversion price will be at a 15% discount to 30 day VWAP, with a minimum conversion price of 1.5c.
- During the year, the Company has agreed two new unsecured short-term loans of US$600,000 and ¥100,000,000 provided by two commercial partners. The ¥100,000,000 loan commenced in February 2018 and was repaid in full by 25 June 2018. The US$600,000 was drawn down in May 2018 and is repayable in full by 30 April 2019.
- On 1 July 2018, the Company agreed to an unsecured short-term loan of ¥165,000,000. The loan is repayable by 30 June 2019.

18.5. 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 cashflows.

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

Consolidated Entity	30 June 2018						30 June 2017					
	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
	$	$	$	$	$	$	$	$	$	$	$	$
Non-Derivatives												
Trade payables	426,668	-	-	-	426,668	426,668	525,009	-	-	-	525,009	525,009
Borrowings	-	2,310,482	1,250,000	500,000	4,060,482	4,060,482	22,057	256,665	1,500,000	1,750,000	3,528,722	3,528,722
Total non-derivatives	**426,668**	**2,310,482**	**1,250,000**	**500,000**	**4,487,150**	**4,487,150**	**547,066**	**256,665**	**1,500,000**	**1,750,000**	**4,053,731**	**4,053,731**
Derivatives												
Net settled (Non deliverable forwards)	6,465	-	-	-	6,465	6,465	156,639	-	-	-	156,639	156,639
Gross settled												
-(inflow)	4,150,000	-	-	-	4,150,000	4,150,000	3,300,000	-	-	-	3,300,000	3,300,000
-outflow	(4,143,535)	-	-	-	(4,143,535)	(4,143,535)	(3,143,361)	-	-	-	(3,143,361)	(3,143,361)
Total Derivatives	**6,465**	**-**	**-**	**-**	**6,465**	**6,465**	**156,639**	**-**	**-**	**-**	**156,639**	**156,639**

(a) Fair value hierarchy

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and

(c) 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 2018 and 30 June 2017 on a recurring basis:

30 June 2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$	$	$	$
Assets				
Forward foreign exchange contracts	-	6,465	-	-
Total Assets	**-**	**6,465**	**-**	**-**

30 June 2017	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$	$	$	$
Assets				
Forward foreign exchange contracts	-	156,639	-	-
Total Assets	**-**	**156,639**	**-**	**-**

(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. As at 30 June 2018 there are no level 3 related instruments in place.

(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 period ended 30 June 2018 or 30 June 2017.

(c) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values as at 30 June 2018:

	2018 $ Carrying Amount	2018 $ Fair Value	2017 $ Carrying Amount	2017 $ Fair Value
Debt Financing	**1,750,000**	**1,750,000**	3,250,000	3,250,000
Total non-current borrowing	**1,750,000**	**1,750,000**	3,250,000	3,250,000

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

19. *Events occuring after the reporting period*

On 1 July 2018, Atlas secured ¥165M in short term financing from a commercial partner. The loan is repayable on or before 30 June 2019. The loan funding provides the Company with short term working capital which will aide in the effective management of its harvest schedule.

There have been no other material events since the end of the financial year.

20. *Commitments*

	2018 $	2017 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**344,740**	344,740
Later than one year, but not later than five years	**680,671**	1,066,427
Later than five years	**-**	-
	1,025,411	1,411,167

Non - cancellable operating leases

The Group leases premises under non-cancellable operating leases expiring in May 2021. On renewal the terms of the leases are renegotiated.

There are no capital commitments in place in relation to the acquisition of property, plant and equipment. Fixed assets are replaced in the normal course of business operations and the Company does not anticipate any material capital outlay for such replacement costs in the coming year.

Other commitments/guarantees

Atlas Pearls had a bank guarantee with the National Bank of Australia for AUD$100,000 at 30 June 2018 (30 June 2017: $100,000) which was transferred over from Commonwealth Bank of Australia after the end of financial year 2017. This guarantee has been taken out to secure the rental of the Atlas Pearls corporate offices in Claremont, Western Australia.

SIGNIFICANT ACCOUNTING POLICY

Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

21. *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 programme may result in future tax liabilities in relation to prior year tax returns. All assessments received to date have been brought to account. Currently there are no periods under review.

PART J OTHER

22. *Subsidiaries*

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 28.3.

Name of entity	Class of Shares	Percentage Owned 30 June 2018	Percentage Owned 30 June 2017	Place of Incorporation
Perl'Eco Pty Ltd	Ord	100%	100%	Australia
Tansim Pty Ltd	Ord	100%	100%	Australia
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia

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

23. *Related party transactions*

(a) Subsidiaries

Interests in subsidiaries are set out in note 22.

(b) Joint ventures

World Senses Pty Ltd was formed on 29 November 2012 as a joint venture between Nomad Two Worlds Global Trading Pte Ltd and Atlas Pearls Ltd.

At 30 June 2018, there is a net loan balance of $698,212 owing from World Senses Pty Ltd to Atlas (30 June 2017: $698,212). This balance consists of salary and administration recharges and accounting charges, offset by pearl cosmetic products, pearl jewellery and pearl protein extraction assets transferred to Atlas. The net loan receivable balance for Atlas from World Senses Pty Ltd of $698,212 has been fully impaired due to the net liability position of the World Senses Pty Ltd accounts.

Essential Oils of Tasmania Pty Ltd was acquired in January 2013 as a 100% subsidiary. On 20 April 2015 50% of the investment in the entity was sold to Westwood Properties Pty Ltd. Post this sale Essential Oils of Tasmania Pty Ltd has been deemed a joint venture and accounted for using the equity method.

As at 30 June 2018, there is a loan balance of $2,078,876 (30 June 2017: $2,042,450) owing from Essential Oils of Tasmania Pty Ltd to Atlas Pearls. This balance consists of admin and expense recharges, and funding advances. The provision represents a write-down to the director's best estimate of the recoverable value and is deemed a prudent assessment.

The parent entity has a 50% interest in Brookfield Tasmania Pty Ltd. At 30 June 2018, there is nil loan balance (30 June 2017: $449) owing from Brookfield Tasmania Pty Ltd.

	2018 $	2017 $
Due from World Senses Pty Ltd	**771,173**	771,173
Due to World Senses Pty Ltd	**(72,961)**	(72,961)
Impairment of World Senses asset	**(698,212)**	(698,212)
Due from Essential Oils of Tasmania Pty Ltd	**2,078,876**	2,042,450
Impairment of Essential Oils of Tasmania Pty Ltd Receivable	**(816,028)**	(816,028)
Due from Brookfield Tasmania Pty Ltd	**-**	449
	1,262,848	1,226,871

(c) Key management personnel compensation

Detailed remuneration disclosures are provided in section 13.2 of the remuneration report.

	2018 $	2017 $
Short-term employment benefits	**837,714**	794,205
Post-employment benefits	**44,267**	40,441
Share based compensation	**16,388**	24,582
	898,369	859,228

(d) Transactions with other related parties

The following balances are outstanding at the end of the reporting period in transactions with related parties:

	2018 $	2017 $
Director fees payable	**10,767**	8,286

(e) 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).

	2018 $	2017 $
Beginning of the year	**3,501,233**	-
Loans advanced from	**-**	3,500,000
Principal repayments	**(250,000)**	-
Interest charged	**254,846**	49,623
Interest paid	**(256,079)**	(48,390)
End of year	**3,250,000**	3,501,233

24. Interests in Joint Ventures

(a) Joint venture

The parent entity has a 50% interest in World Senses Pty Ltd, which is a resident in Australia and the principal activity of which is the commercialisation of Atlas and Essential Oils of Tasmania Pty Ltd's research and development, products and export markets.

The parent entity has a 50% interest in Brookfield Tasmania Pty Ltd, which is a resident in Australia and the principal activity of which is to develop a manufacturing and tourism facility.

The parent entity has a 50% interest in Essential Oils of Tasmania Pty Ltd, which is a resident in Australia and the principal activity of which is to grow and produce essential oils.

The interest in World Senses Pty Ltd and Essential Oils of Tasmania Pty Ltd is accounted for in the financial statements using the equity method of accounting (refer to note 22). The joint venture is unlisted hence no quoted fair value is disclosed. Information regarding to the joint ventures are set out below.

	2018 $	2017 $
World Senses Pty Ltd		
Joint Ventures' assets and liabilities		
Current assets	**305,114**	304,334
Non-current assets	**441,333**	441,333
Total assets	**746,447**	745,667
Current liabilities	**41,641**	41,791
Non-current liabilities	**1,760,292**	1,760,292
Total liabilities	**1,801,933**	1,802,083
Net assets	**(1,055,486)**	(1,056,416)
Joint Venture's revenues, expenses and results		
Revenues	**7,272**	8,165
Expenses	**(6,342)**	(189,629)
Profit/(loss) for the period	**930**	(181,464)
Reconciliation to carrying value		
Opening net asset 1 July	**(1,056,416)**	(874,952)
Profit/(loss) for the period	**930**	(181,464)
Closing net assets (liabilities)	**(1,055,486)**	(1,056,416)
Group's share in percentage	**50%**	50%
Group share in profit/(loss)	**465**	(90,732)
Carrying value	**-**	-

	2018 $	2017 $
Essential Oils of Tasmania Pty Ltd		
Joint Ventures' assets and liabilities		
Current assets	**4,117,109**	3,031,525
Non-current assets	**1,150,631**	1,061,804
Total assets	**5,267,740**	4,093,329
Current liabilities	**357,893**	340,446
Non-current liabilities	**4,973,766**	3,894,684
Total liabilities	**5,331,659**	4,235,130
Net assets	**(63,919)**	(141,801)
Joint Venture's revenues, expenses and results		
Revenues	**4,104,275**	3,227,576
Expenses	**(4,026,394)**	(4,213,771)
Profit/(loss) for the period	**77,881**	(986,195)
Reconciliation to carrying value		
Opening net asset 1 July	**(141,800)**	844,395
Profit/(loss) for the period	**77,881**	(986,195)
Closing net assets (liabilities)	**(63,919)**	(141,800)
Group's share in percentage	**50%**	50%
Group share in profit/(loss)	**38,941**	(493,098)
Carrying value	**-**	-

(b) 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.

Each of the partners in Essential Oils of Tasmania 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.

25. *Parent entity financial information*

(a) Summary financial information

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

	2018 $	2017 $
Statement of financial position		
Current assets	1,840,553	2,852,239
Total assets	24,440,639	26,803,398
Current liabilities	5,459,679	3,650,070
Total liabilities	5,221,347	4,800,932
Shareholders' equity		
Issued capital	36,857,417	36,857,417
Reserves		
Share-based payment reserve	739,188	739,188
Accumulated losses	(15,594,139)	(15,428,708)
	22,002,467	22,167,825
Loss for the period	**(2,783,174)**	**(165,359)**
Total comprehensive loss	**(2,783,174)**	**(165,359)**

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2018 (30 June 2017: Nil).

The parent entity did not provide financial guarantees during the period (30 June 2017: 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.

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.

26. Share Based Payments and Options

26.1. EMPLOYEE SALARY SACRIFICE SHARE PLAN

On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. The Group has formed a trust to administer the Group's employee share scheme. The trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by Atlas South Sea Pearl Limited Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. The shares rank equally with other fully paid ordinary shares.

To participate in the Salary Sacrifice Plan, eligible employees are required to salary sacrifice a portion of their annual base salary into Shares. There is no maximum percentage or value cap to the amount that each Eligible Employee can sacrifice. The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time at the discretion of the Board of Directors.

The Employee Share Plan is open to Eligible Participants being any Eligible Employee; or conditional upon the Company obtaining any necessary ASIC relief to extend the operation of ASIC Class Order 03/184 (or similar class order) to them:

i. any Eligible Contractor; or
ii. Eligible Casual Employee,

Who is declared by the Board to be an Eligible Participant for the purposes of the Plan. An Eligible Employee means: a full time or part time employee (including an executive director) of a Group Company.

An Eligible Contractor means:

(a) An individual that has:
  i. Performed work for a Group Company, for more than 12 months; and
  ii. Received 80% of more of their income in the preceding year from a Group Company; or

(b) A company where each of the following are satisfied in relation to the Company:
  i. Throughout the previous 12 months the Company has had a contract in place with a Group Company, for the provision of the services of an individual (contracting individual) to a Group Company;
  ii. The contracting individual has performed work for a Group Company, for more than 12 months;
  iii. The contracting individual has been the only member for the Company for more than 12 months; and;
  iv. More than 80% of the aggregate income of the Company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received form a Group Company.

The Board may determine the terms and conditions of the Salary Sacrifice arrangement for which Shares are offered in lieu of that Remuneration. The number of Shares to be issued, transferred or allocated to the Trustee to be held on behalf of a Participant will be the dollar amount of the Salary Sacrifice divided by the issue price per Share outlined in the Invitation. In the case of fractional entitlements, the number of Shares to be issue, transferred or allocated to the Trustee to be held on behalf of a Participant will be rounded up to the nearest whole Share, unless otherwise determined by the Board from time to time.

26.2. NON-EXECUTIVE DIRECTOR FEE SACRIFICE SHARE PLAN

The Non-Executive Director Salary Sacrifice Share Plan is open to Eligible Participants, being any Non-Executive Director who is declared by the Board to be an Eligible Participant for the purpose of the Plan.

The Company's Non-Executive Directors will receive a portion of their Director's fee in the form of Shares.

The Company agrees to issue or procure the transfer of Shares to eligible Non-Executive Directors, in lieu of the amount of Directors' fees that each eligible Non-Executive Director has agreed to sacrifice from their monthly Directors' fees each financial year. The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time at the discretion of the Board of Directors.

26.3. ATLAS PEARLS LTD EMPLOYEE OPTION PLAN

At the EGM on 13 May 2014 it was resolved by the shareholders to approve the Atlas Pearls Ltd Employee Option Plan. On 24 February 2014, the Board adopted the Atlas Pearls Ltd Employee Option Plan (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, employees, consultants and contractors for their past performance;
(b) Provide long term incentives for participation in the Company's future growth;
(c) Motivate Directors, executives, employees, consultants and contractors and general loyalty; and
(d) Assist to retain the services of valued Directors, Executives, employees, consultants and contractors.

The Plan will be used as part of the remuneration planning for Directors, executives, employees and contractors. Under the Plan, participants are granted options which only vest if certain performance standards 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 to 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 circumstances 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.

The amount of options that will vest depends on the individual's Key Performance Indicators. An option which has vested but has not been exercised will immediately lapse upon the first to occur of:

i. Close of business on the Expiry Date;
ii. The transfer or supported transfer of the Option in breach of Clause 7(a) of the Plan;
iii. Termination of the Participant's employment or engagement with the Company or an Associate Body Corporate on the basis that the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause; and
iv. The day which is six months after an event which gives rise to a vesting under clauses 4(a) to 4(d) of the plan.

26.4. OPTIONS ON ISSUE

On 30 June 2015 5,500,000 options exercisable at $0.059 each, on or before 31 December 2018 (expiry date), were issued to employees of the Company on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on 13 May 2014.

Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on 143% (June 2017: 143%) of the volume weighted average share price at which the Company's shares are traded on the Australian Stock Exchange (ASX) during the week up to and including the date of the grant.

	2015 Average exercise price per share option	Number of options
As at 1 July 2017	0.066	4,500,000
Granted during the year	-	-
Exercised during the year	-	-
Forfeited during the year	-	1,500,000
As at 30 June 2018	0.066	3,000,000

- There were no options issued during the year ended 30 June 2018 (2017: nil).

Issue Date	Expiry Date	Exercise Price	Share Options 30 June 2018	Share Options 30 June 2017
30 June 2015	31 December 2018	0.0590	3,000,000	4,500,000
Total			3,000,000	4,500,000

Weighted average remaining contractual life of options outstanding at end of period	0.6 years	0.6 years

26.5. FAIR VALUE OF OPTIONS GRANTED

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was $0.016 (5,500,000 options). This valuation imputes a total value of approximately $90,215 for the proposed Options. The value may go up or down as it will depend in part on the future price of a Share.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that 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. The model inputs for options granted during the year ended 30 June 2015 are detailed below.

The Black & Scholes methodology has been used, together with the following assumptions:

i. Options are granted for no consideration and vest based on the individual's Key Performance Indicators. Vested options are exercisable for a period of six months after vesting or the earlier of 31 December 2018.
ii. Exercise price - $0.0590;
iii. Grant date – 30 June 2015;
iv. Share price at grant date: $0.044
v. Expected price volatility of the Company's shares: 60%;
vi. Expected dividend yield: 0%;
vii. Risk-free interest rate: 3.06%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Atlas Pearls for the amount recognised as expense in relation to these options.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions and option related valuation expenses recognised during the period as part of employee benefit expense were as follows:

	2018 $	2017 $
Option expense	**20,518**	24,582
Option release for forfeited options	**(20,518)**	-
	-	24,582

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

Share Based Payments: 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.

NOTES TO & FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

27. *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:

AUDIT SERVICES	2018 $	2017 $
BDO Australia Firm:		
Audit and review of financial reports	**93,279**	94,349
BDO Indonesia Firm:		
Audit and review of financial reports	**30,781**	35,704
Total remuneration for audit and other assurance services	**124,060**	130,053
Other Services	**5,100**	18,544
Total remuneration for other services	**5,100**	18,544
Total remuneration of BDO for audit and other related services	**129,160**	148,596

28. *Accounting policies*

28.1. HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost basis, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and biological assets at fair value less cost to sell.

28.2. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2018 unless disclosed separately. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments.	1 Jan 18	1 July 18
AASB 16	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. Leases with terms greater than 12 months, unless the underlying asset is immaterial, will be recognised as a lease liability and a right of use asset in the statement of financial position.	1 Jan 19	1 July 19

Impact on initial application:

AASB 9

The Company enters into forward hedge contracts to manage foreign currency risk but it currently does not apply hedge accounting. Derivative instruments are fair valued at each reporting date and gain or loss recognised in the statement of profit or loss and other comprehensive income. It is expected that the application of the new amendments will not have an impact on the entity's financial statements.

AASB 16

To the extent that the Company, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

Thereafter EBITDA will increase as a result of operating lease expenses currently included in EBITDA which will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.

Atlas Pearls has identified the following lease where this standard change will have an impact:

- Claremont office lease held by the parent entity.

Any other amendments are not applicable to the Group and therefore have no impact.

28.3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls as at 30 June 2018 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 deconsolidated 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.

28.4. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement 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) Write off of inventories – see note 9
(c) Impairment of debtors – see note 10
(d) Impairment of joint venture receivables – see note 24

28.5. 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.

28.6. COMPARATIVE FIGURES

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

28.7. 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.

28.8. 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 twelve 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 ayt the present bvalue 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 recosgnised in the provision for employee benefits.

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

Share-based payments

Share-based compensation benefits are provided to employees via the Atlas Pearls Employee Share Plan Pty Ltd. Information relating to this scheme is set out in note 26.

28.9. 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.

28.10. 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.

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 2018 and of the performance for the period 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.

(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) the remuneration disclosures included in the Directors' Report (as part of audited remuneration report) for the period ended 30 June 2018 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 2018.

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INDEPENDENT AUDITOR'S REPORT

To the members of Atlas Pearls Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Atlas Pearls Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 2018 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* (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.

Material uncertainty related to going concern

We draw attention to Note 1.2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

BDO

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Biological Assets

Key audit matter	*How the matter was addressed in our audit*
As at 30 June 2018, the carrying value of biological assets inventory of the Group was $17,285,234 as disclosed in note 4. AASB 141 Agriculture requires the Group to value their biological assets at fair value less costs to sell. The determination of the value of the biological asset requires significant management judgements and estimates as detailed in note 4. We considered this issue to be a Key Audit Matter, due to the significance of the balance to the reported financial position and performance of the Group, and the extent to which management judgements and estimates determine the final valuation.	Our audit procedures included, but were not limited, to the following: • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standards; • Testing the mathematical accuracy of the fair value model used by management; • Physically counting the numbers of oysters on hand at the year end. • Performing analytical procedures and sensitivity analysis in order to determine the inputs of most significance to the final valuation, including the extent to which they may have changed from previous years, and focused our substantive testing on those items. In the case of specific inputs, we performed the following: • Obtaining historical farming data, and comparing this to forecasts used in the model; • Obtaining sales data, including where available post-year-end data, and comparing these to forecast sales prices; • Comparing the expected exchange rates to futures prices and other financial data; • Obtaining written representation over the suitability of the assumptions used from senior management. • Considering the completeness and accuracy of the disclosures made in note 3, including sensitivity disclosures.

BDO

Recoverability of Deferred Tax

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2018, the Group recognised deferred tax assets relating to deductible temporary differences and carried-forward tax losses of $3.6m in Australia, and $0.4m in Indonesia, totalling $4m. Australian Accounting Standards require that deferred tax assets be recognised only to the extent that it is probable that they may be utilised against future taxable profits. We considered this a Key Audit Matter due to the quantum of the recognised assets, the complexities surrounding which losses can be utilised against which profits, and the additional uncertainties that arise from the international aspects of the Group's operations.	Our procedures included, but were not limited to: • Reviewing the calculation of the deferred tax assets, which have been undertaken by the Group tax expert including assessing the competency and objectivity of the expert; • Assessing and challenging management's judgements relating to the forecast of future taxable profit and evaluating the reasonableness of the assumptions underlying the preparation of these forecasts against actual performance of the Group; • Reviewing correspondence between the Group and the Australian and Indonesian tax authorities. • Assessing the appropriateness of the disclosure included in Note 9 in respect of current and deferred tax balances.

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 2018, 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 at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 22 to 28 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Atlas Pearls Ltd, for the year ended 30 June 2018, 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

Glyn O'Brien

Director

Perth, 30 August 2018

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 18 September 2018.

(a) Distribution schedule and number of holders of equity securities as at 18 September 2018

	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)	132	400	300	872	373	2,077
Unlisted Options – 5.9c 31/12/18	-	-	-	-	2	2

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 18 September 2018 is 1,208.

(b) 20 Largest holders of quoted equity securities as at 18 September 2018

The names of the twenty largest holders of fully paid ordinary shares (ASX code: ATP) as at 18 September 2018 are:

Rank	Name	Shares	% of Total Shares
1	Boneyard Investments Pty Ltd	53,048,882	12.40
2	Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	32,400,000	7.57
3	Raintree Pearls & Perfumes Pty Ltd	20,718,834	4.84
4	SP & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>	20,529,202	4.80
5	Jingie Investments Pty Ltd	17,880,240	4.18
6	Abermac Pty Ltd	17,833,333	4.17
7	Hsbc Custody Nominees (Australia) Limited	16,608,835	3.88
8	Westwood Properties Pty Ltd	8,000,000	1.87
9	Farjoy Pty Ltd	7,099,412	1.66
10	Mr Nelson Michel Pierre Rocher	6,712,185	1.57
11	Five Talents Limited	5,620,000	1.31
12	Mr Paul Michael Butcher	5,000,000	1.17
13	Chembank Pty Limited <Cabac Super Fund A/C>	5,000,000	1.17
14	Coakley Pastoral Co Pty Ltd <Tim Coakley Super Fund A/C>	4,744,717	1.11
15	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	4,597,742	1.07
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
	TOTAL	**243,373,079**	**56.88**

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.

The unquoted securities on issue as at 18 September 2018 are detailed below in part (d).

(c) Substantial shareholders

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 *	112,345,667	27.09%	4 May 2015
Raintree Pearls & Perfumes Pty Ltd & Associates **	30,090,855	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 18 September 2018:

Security	Number on issue
Unlisted options exercisable at 5.9 cents, on or before 31 December 2018.	3,000,000

(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 18 September 2018.

(f) Restricted Securities as at 18 September 2018

There were no restricted securities on issue as at 18 September 2018.

(g) Voting Rights

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

Unquoted options have no voting rights.

(h) On-Market Buy-back

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

(i) Corporate Governance

The Board of Atlas Pearls Limited 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/pages/corporate-governance .

ATLAS PEARLS

URBAN BOUTIQUES

AUSTRALIA, Perth

BALI, Seminyak

FARM BOUTIQUES

NORTH BALI, Penyabangan

FLORES, Labuan Bajo, Pungu Island

RAJA AMPAT, Alyui Bay

FARMS

EAST NUSA TENGGARA, Lembata Bay

EAST NUSA TENGGARA, Alor Bay

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