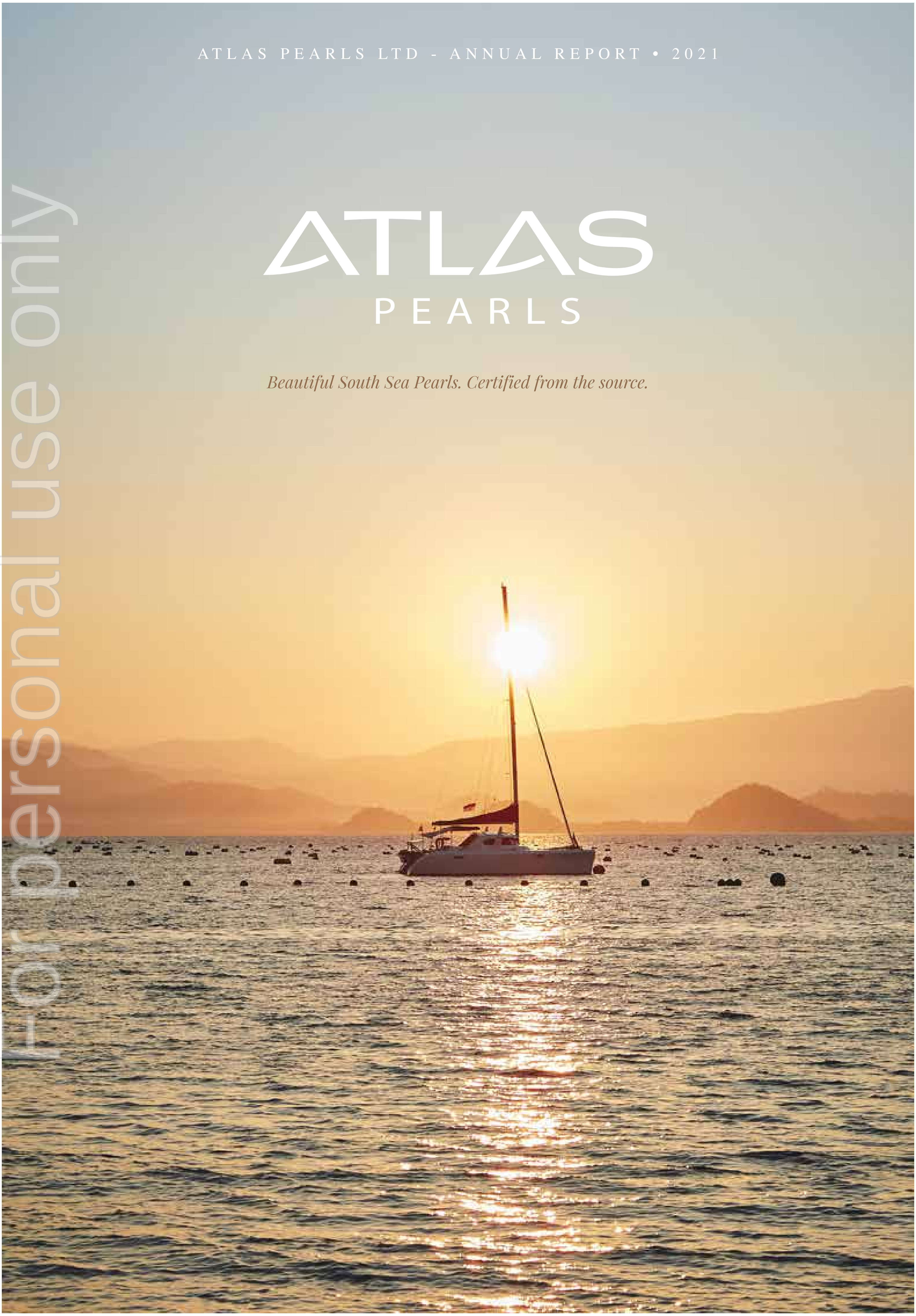
ATLAS PEARLS LTD - ANNUAL REPORT • 2021

ATLAS PEARLS

Beautiful South Sea Pearls. Certified from the source.



Global leaders in the sustainable production
of white & silver South Sea pearls.
Certified from the source.

ATLAS
PEARLS

Across 7 farm sites a significant amount of long-line ropes, nets and other materials are used daily. A dedicated team of staff are needed to maintain and repair these materials to ensure operations continue to function smoothly.

Pictured: just one of the many people at our Alor farm site making up the maintenance team - Photo by Lulu Ermila

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A LETTER FROM THE EXECUTIVE CHAIRMAN

Dear Fellow Shareholders,

On behalf of the Board of Directors of Atlas Pearls Limited, I am proud to present you with the Company's 2021 Annual Report. Despite some unique challenges during the year, Atlas successfully met its principal objective to produce and distribute high quality, luxurious South Sea Pearls safely and sustainably.

The commencement of FY2021 coincided with the spread of the COVID-19 pandemic and the accompanying implications and uncertainties of such unique challenges was a key focus for the Board and Senior Management Team.

I can wholeheartedly say that I am not only pleased with the performance of the Company this financial year, but I am overwhelmed with the resilience, support and flexibility shown at every level of the Company.

Our staff have sacrificed much during the last year including Directors, Perth and Expatriate personnel accepting pay reductions for nine months. All staff have continued to be heavily impacted by travel restrictions that interrupt the movement of both people and pearls with some staff remaining for large stretches at our isolated pearl farms. Employees are adapting to find solutions to last minute logistics changes from the farm level to the final customer interface.

A notable impact to the business during this financial year were the continued restrictions placed on traditional distribution network which prior to the pandemic had predominantly relied on face-to-face auctions. As a result of heavily restricted international travel and social distancing requirements, it became apparent that the Company needed to find alternative methods of selling pearls to ensure that disruptions to the Company's revenue stream was minimised.

In response to this challenge, the Company developed a bespoke online auction platform for the exclusive sale of Atlas Pearls. The Company launched its online auction platform in November 2020 and hosted the first full harvest online auction in December 2020. The online platform proved to be highly successful with clients participating from all over the world including Australia, New Zealand, Japan, China, the USA and Spain.

The online platform, which is now supported by an Atlas App, has generated sales from Customers that traditional sales networks did not reach. It forms a key part of a multi-faceted approach to sales and its success reflects the agile nature of Atlas in harnessing opportunities.

I would like to thank our major shareholder for their continued support during FY21. This support was fundamental in the Company's ability to implement the new online sales platform and achieve the positive results for the year. The loan was renegotiated in August 2020 and repayments were deferred during the financial year. This deferral enabled the Company to manage sales events and pearl availability in the response of the ever-changing COVID restrictions.

In June 2021 Atlas made its final payment to the renegotiated foreign currency trade loan. I would like to personally thank all customers for their continued support and loyalty over the past 18 months.

The Company has recorded a profit before tax figure for the year of \$8.1m. I would like to stress that this figure includes an accounting adjustment in relation to the oysters of \$4.0m which is a calculated uplift in the book value of the oysters in the water. Revenue for the year ending 30 June 2021 was \$18.3m which is a significant increase to the prior financial year which recorded revenue of \$13.7m. Costs of goods sold for the financial year remained consistent to prior year at \$8.4m (30 June 2020: \$8.5m).

Even though Atlas received an unqualified audit opinion I would like to draw the shareholders attention to the going concern section on page 29 and the empahasis of matter paragraph in the Audit Report on page 60.

Although the Company has achieved outstanding results for the financial year, I would also like to emphasise that for the quarter ending 30 September 2021 we are expecting operational cash outflows as we harvest approximately 240,000 pearls but are forecasting sales of approximately 50,000 pearls. This reflects the time delay associated with bringing pearls to market and follows the seasonal nature integral to aqua-culture farming.

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

Geoff Newman
Executive Chairman

Over the past 25 years, Atlas Pearls has become one of the world's largest producers and distributors of the highly sought-after, white & silver South Sea pearls. Operating across 7 farming locations throughout the South Seas the Company employees more than 1,000 people & in 2021 harvested more than 560,000 pearls.

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

The most recent farm site, West Lembata was acquired this year with plans to be fully operational by 2022.

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

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

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

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

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

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

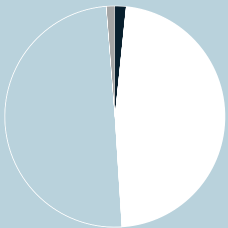
The oysters are regularly cleaned by teams of experienced crew on-board cleaning vessels. It's often hot, hard work but the removal of parasitic fouling on the exterior of the oyster shells plays an important role in the health of the oyster & the quality of the pearls we produce.

Pictured left: Nuryono, is part of the oyster cleaning team based in North Bali - Photo by Lulu Ermila

Across seven remote farm sites and more than 1,000 staff, our catering teams play an important role preparing and cooking healthy and delicious meals.

Pictured: Mina, located at the North Bali farm, is one of a team who ensure the smooth running of the kitchen.

FINANCIAL REPORT HIGHLIGHTS 2021



The Company currently employs **1,043** staff across 2 offices and 7 pearl farms.

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

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

6

Number of online sales events held in 2020/21 financial year.

More than **560,000** pearls were harvested in 2020/21.

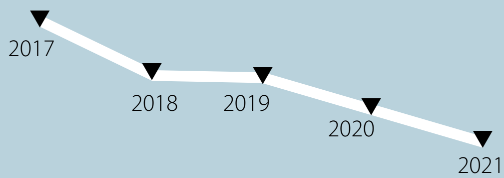
Pearl production has steadily increased by 50% from 374,946 in 2017 to **562,872** in **2021**.

50%

The Company currently has a combined total of **2,978,510** juvenile, mature and nucleated oysters, an increase of 50% since 2017.

Nucleated oyster stocks have increased 40% from 950,588 in 2017 to **1,333,045** in **2021**

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



27%

Operating expenses have continued to reduce from $7.1M in 2017 to $5.2M in 2021, an overall reduction of 27%.

SUMMARY OF FISCAL INDICATORS

	30 JUNE 21 $'000	30 JUNE 20 $'000
Revenue from contracts with customers	**18,281**	13,740
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	**5,628**	178
EBITDA margin	**30.79%**	1.29%
Depreciation and amortisation	**(473)**	(626)
Foreign exchange gains/(losses)	**(445)**	457
Revaluation and write-off of agriculture assets (oysters and pearls) gains/(losses)	**3,989**	(6,704)
Derivative instruments gains/(losses)	**-**	(20)
Earnings/(loss) before interest and tax (EBIT)	**8,519**	(6,655)
EBIT margin	**46.60%**	(48.44%)
Interest net (costs)	**(444)**	(320)
Tax (expense)	**(1,356)**	(1,102)
Net profit/(loss) after tax (NPAT)	**6,720**	(8,077)
Basic earnings per share (cents)	**1.58**	(1.90)
Net tangible assets (NTA)	**18,337**	13,468
Assets	**28,052**	22,300
Debt (current & non-current)	**4,199**	4,518
Shareholder funds	**18,425**	13,642
Debt/shareholder funds (%)	**22.79%**	33.59%
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 year ended 30 June 2021. Referred to hereafter as, the Company, Atlas Pearls or the Group.

1. *Directors*

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

GEOFF NEWMAN

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

EXECUTIVE CHAIRMAN

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

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

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

APPOINTMENTS
EXECUTIVE CHAIRMAN - 01/10/2019
CHAIRMAN - 16/02/2015
DIRECTOR - 15/10/2010

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

CADELL BUSS

M.B.A, M.P.M, G.A.I.C.D.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Cadell Buss has extensive experience in marketing, advertising and communications spanning 22 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.

Cadell is currently Finance & Project Director at Luso Global Mining having been appointed March 2020.

APPOINTMENTS
DIRECTOR - 01/02/2018

Directorships of other listed companies held in the last three years:
Nazare Resources Ltd, Executive Director August 2020 - present

TIMOTHY MARTIN

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

NON-EXECUTIVE DIRECTOR

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

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

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

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

APPOINTMENTS
DIRECTOR - 04/02/2013

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

2. *Company Secretary*

The Company Secretary for the financial year was Ms. Susan Park, (formerly Susan Hunter).

SUSAN PARK B Com, ACA, F fin, G.A.I.C.D, AGIA

COMPANY SECRETARY

Ms. Susan Park has 24 years experience in the corporate finance industry. She is founder and Managing Director of consulting firm Park Advisory which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies and has held Senior Executive roles at Ernst & Young and PricewaterhouseCoopers in the Corporate Finance divisions and at Bankwest in the Strategy and Ventures division. Susan holds a Bachelor of Commerce, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Governance Institute of Australia.

APPOINTED COMPANY SECRETARY - 19/12/2012

3. *Principal Activities*

3.1 PRINCIPAL ACTIVITIES

Atlas Pearls produces South Sea pearls, with pearling operations located throughout Indonesia (refer 3.2). Pearls produced are sold through a multi-faceted distribution network. No significant changes in the nature of Atlas' principal activies occured during the year ended 30 June 2021.

3.2 ABOUT ATLAS

Over the past 25 years, Atlas Pearls an ASX listed company, has become one of the world's largest producers of the highly sought after, white and silver South Sea pearls. Operating across 7 farming locations throughout the South Seas and employing more than 1,000 people, the Company harvested more than 560,000 this year.

4. *Directors' Meetings*

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

DIRECTOR	PERIOD	DIRECTORS' MEETINGS	
		MEETINGS HELD WHILST IN OFFICE	ATTENDED
G. Newman	01 July 20 - 30 June 21	5	5
T. Martin	01 July 20 - 30 June 21	5	5
C. Buss	01 July 20 - 30 June 21	5	5

5. *Financial Review*

5.1 SHAREHOLDER RETURNS

	30 JUNE 2021 $'000	30 JUNE 2020 $'000	30 JUNE 2019 $'000
Net profit / (loss) after tax	**6,720**	(8,077)	(3,582)
Basic EPS (cents)	**1.58**	(1.90)	(0.84)
Dividends paid	**Nil**	Nil	Nil
Dividends (per share) (cents)	**Nil**	Nil	Nil

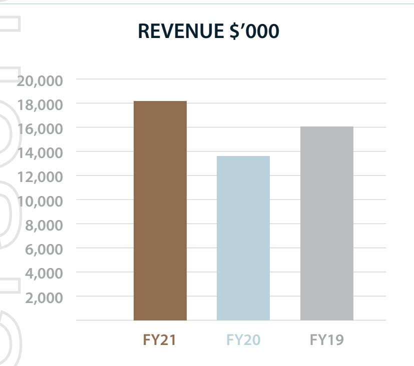
The adjustments from NPAT to arrive at reported Normalised EBITDA for these periods are shown below:

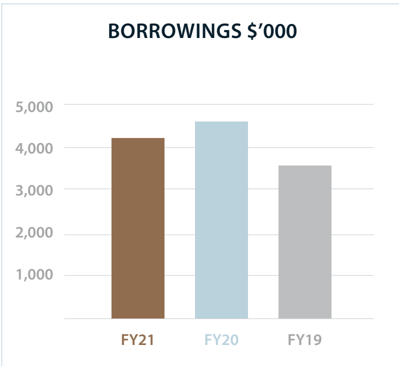
	30 JUNE 2021 $'000	30 JUNE 2020 $'000	30 JUNE 2019 $'000
Net profit/(loss) after tax	**6,720**	(8,077)	(3,582)
Tax expense	**1,356**	1,102	2,408
Interest net costs	**444**	320	321
Depreciation & amortisation	**473**	626	297
Foreign exchange (gain)/loss	**445**	(457)	449
Agriculture standard revaluation (gain)/loss	**(3,989)**	6,704	590
Other non-operating (income)/expense	**180**	(60)	134
Derivative instrument (gain)/loss	**-**	20	(14)
Normalised EBITDA	**5,628**	178	603

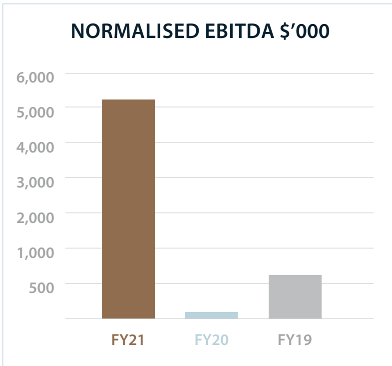
5.2 FINANCIAL POSITION

	30 JUNE 2021 $'000	30 JUNE 2020 $'000	30 JUNE 2019 $'000
Total assets	**28,052**	22,300	31,231
Debt (current & non-current)	**(4,199)**	(4,583)	(3,620)
Other liabilities	**(5,428)**	(4,076)	(5,701)
Shareholder funds / net assets	**18,425**	13,642	21,910
Debt / shareholder funds	**23%**	34%	17%
Number of shares on issue (million)	**427.9**	427.9	427.9
Net tangible assets per share (cents)	**4.3**	3.1	5.1
Share price at reporting date (cents)	**1.5**	0.5	0.8

There has been an increase in the net assets of the Group of $4.8M in the year ended 30 June 2021 (30 June 2020: $8.3M decrease).







5.2.1 OPERATING RESULTS

The Company is pleased to announce a profit before tax of $8.1M and a reported inflow of cash from operating activities for the year ended 30 June 2021 of $3.8M. This signifies a positive outcome for Atlas and is the result of a range of strategic changes coming together.

Key strategic changes include;

- The introduction of the optimal 24-month cultivation period of the pearls,
- An increase in the harvest quality due to process improvements at an operations level, in particular process improvements have been made at the time of seeding, and
- The establishment of a multifaced distribution network to diversify the customer base and increase pricing tension.

The operating revenue for the year ended 30 June 2021 was $18.3M, an increase of $4.6M on prior year (30 June 2020: $13.7M). Administration, finance and marketing expenses were $5.2M, a decrease of $0.5M on prior year (30 June 2020: $5.7M).

5.2.2 REVIEW OF OPERATIONS

5.2.2.1 PEARLING

The Company has successfully secured additional sea leases in West Lembata, East Nusa Tenggara. Oysters located at this farm are sheltered away from Volcano Lle Lewotolok which erupted December 2020 and prompted Atlas to relocate mature oysters held at its hatchery farm in Lembata. The additional sea leases in West Lembata will create further diversification with access to new nutrients.

The switch to a 24 month harvest cycle, which was implemented during the 2019/20 reporting period and has produced promising results to overall harvest quality. The Company has made operational changes to facilitate a 24 month cultivation period for all future harvests and is hopeful that pearls produced will continue to show quality improvements.

5.2.2.2 PEARLING VALUE ADDED

During the reporting period Atlas launched a new online auction platform. This platform has proved successful and is a large contributing factor to the reported profit for the year. Online availability of goods has enabled the Company to continue to reach its Customers, most of whom are located overseas and restricted by worldwide Government regulations prohibiting travel.

The opportunities available for presentation of goods on an online system are endless and Atlas is excited to explore a variety of ways to offer our beautiful South Sea Pearls to our Customers to best meet their needs.

5.2.3 AUDIT OPINION

The financial report has been audited independently and received an unmodified opinion. Refer to page 23 for the Independent Auditors Report and page 60 onwards for the Auditors Opinion.

5.2.4 PERSONNEL

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

	INDONESIAN NATIONALS PART TIME	INDONESIAN NATIONALS PERMANENT	EXPATRIATES INDONESIA	AUSTRALIA
2018	414	486	15	13
2019	248	540	17	13
2020	369	491	16	8
2021	519	494	17	10

6. *Dividends*

No dividends were declared and paid by the Company during the year ended 30 June 2021 (30 June 2020: nil).

7. *Events Since the end of the Financial Year*

Unfortunately, at report date, the impact of the Coronavirus (COVID-19) pandemic is ongoing. Continuing restrictions on travel, including commercial flight availability all place pressure on the Company's ability to move people and pearls and is highly dependent upon measures imposed by each country's Government. 'Quarantine' standard operating procedures have been developed to ensure shell transports are not impacted by Government restrictions. Management continue to closely monitor the situation and proactively respond to minimise business disruption.

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

8. *Likely Developments and Expected Results of Operations*

The Company aims to keep oyster volumes consistent at this stage. With new sea leases secured in West Lembata, oysters will be more evenly distributed between locations to create diversification.

The Company remains committed to the multi-faceted approach to the distribution of the Groups pearls, with the plan to increase the customer reach over the FY22 year.

9. *Directors' Interests*

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report, are detailed in Section 14.5.5 of the Remuneration Report.

10. *Options*

There were no listed or unlisted options issued during the year ended 30 June 2021.

11. Indemnification and Insurance of Directors and Officers

11.1. INDEMNIFICATION

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

11.2. INSURANCE PREMIUMS

During the financial year the Company has paid insurance premiums of $22,200 (30 June 2020: $43,685) in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

12. Audit and Non-Audit Services

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

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

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

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

AUDIT SERVICES	30 JUNE 2021 $	30 JUNE 2020 $
BDO AUSTRALIAN FIRM		
Audit and review of financial reports	**88,940**	87,100
BDO INDONESIAN FIRM		
Audit and review of financial reports	**41,411**	43,955
Total remuneration for audit services	**130,351**	131,055
Other Services	**3,954**	3,725
Independent experts report	**19,673**	-
Total remuneration for other services	**23,627**	3,725

13. Proceedings on Behalf of the Company

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

14. Remuneration Report (Audited)

The Directors are pleased to present your Company's 2021 remuneration report which sets out remuneration information for Atlas Pearls Non-Executive Directors, Executive Directors and other Key Management Personnel. The information provided in this Remuneration Report has been audited as required by section 308(c) of the *Corporations Act 2001*.

NAME	POSITION
Non-Executive and Executive Directors	
G. Newman	Independent Non-Executive Chairman appointed to 1 October 2019 Executive Chairman appointed from 1 October 2019
T. Martin	Non-Executive Director
C. Buss	Independent Non-Executive Director
Other Key Management Personnel	
M. Longhurst	Chief Operations Officer, PT Cendana Indopearl
D. Kubicki	Chief Financial Officer

14.1. REMUNERATION GOVERNANCE

14.1.1. ROLE OF THE BOARD IN REMUNERATION GOVERNANCE

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

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

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

Assessing performance and claw-back of remuneration

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

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

14.1.2. NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

The Non-Executive Directors' aggregate annual remuneration may not exceed $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 year ending 30 June 2021, the total Non-Executive Directors' fees including retirement benefit contributions were $95,109 (30 June 2020: $95,109).

The following fees have applied:

- Base fees for Non-Executive Directors is $50,000 per annum.
- In response to the Global Pandemic, COVID-19, Atlas reduced Director fees by 20% for the period 1 April 2020 to 30 June 2020 and 10% for the period 1 July 2020 to 31 December 2020.

14.1.3. EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

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

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

Executive remuneration framework has three components;

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

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

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

There were no short or medium-term cash incentives provided to any Executives of the Company during the last financial year except where noted in section 14.2 of this report. Short or medium-term cash incentives are incorporated into some Executives' salary packages 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 section 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 Executives 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 2021 the Company did not engage any remuneration consultants.

Voting and comments made at the Company's 2020 Annual General Meeting

Atlas Pearls received 98% of "yes" votes on adoption of the renumeration report for the 2020 financial year. 99% of "yes" vote's were received on the resolution to re-elect Mr Cadell Buss as Director. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration.

Relationship between Key Management Personnel Remuneration and Performance

Each Key Management Personnel is remunerated on an individual basis.

14.2. DETAILS OF REMUNERATION

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

Name		Cash salary & fees	Short term benefits Salary sacrifice for shares	Short term incentive cash bonus	Non-cash monetary benefit	Total cash salary, fees and short term benefits	Post-employment benefits Super-annuation benefit	"Long term benefits" Long service leave	Share based compen-sation Bonus Shares	Options	Total
		$	$	$	$	$	$	$	$	$	$
DIRECTORS (NON-EXECUTIVE)											
T. Martin	2021	47,609	-	-	-	47,609	-	-	-	-	47,609
	2020	47,609	-	-	-	47,609	-	-	-	-	47,609
C. Buss	2021	47,500	-	-	-	47,500	-	-	-	-	47,500
	2020	47,500	-	-	-	47,500	-	-	-	-	47,500
DIRECTORS (EXECUTIVE)											
G. Newman	2021	171,884	-	-	-	171,884	16,354	-	-	-	188,238
	2020	124,025	-	-	-	124,025	11,782	-	-	-	135,808
P. Fallourd	2021	-	-	-	-	-	-	-	-	-	-
	2020	198,340	-	-	-	198,340	11,312	-	-	(10,050)	199,602
OTHER KEY MANAGEMENT PERSONNEL											
M. Longhurst	2021	205,384	-	2,000	38,265	245,648	-	-	-	38	245,686
	2020	191,117	-	-	36,238	227,355	-	-	-	13,868	241,223
D. Kubicki	2021	164,968	-	2,000	-	166,969	15,893	-	-	38	182,900
	2020	151,092	-	-	-	151,092	14,354	-	-	14,444	179,891
TOTAL 2021	**2021**	**637,345**	**-**	**4,000**	**38,265**	**679,610**	**32,247**	**-**	**-**	**76**	**711,933**
TOTAL 2020	**2020**	**759,683**	**-**	**-**	**36,238**	**795,922**	**37,449**	**-**	**-**	**18,262**	**851,632**

1. *Mr G Newman was appointed Executive Chairman 1 October 2019.*
2. *Mr P Fallourd resigned 19 September 2019.*
3. *Non-Monetary benefits of other Key Management Personnel includes overseas living allowances as per individual employment contracts.*
4. *Share based remuneration related to options being recognised over the respective vesting period.*
5. *In response to the Global Pandemic, COVID-19, Atlas reduced the remuneration of Directors and Key Managment Personnel by 20%, effective 1 April 2020 - 30 June 2020, and 10% effective 1 July 2020 - 31 December 2020.*

14.2.1. DETAILS OF REMUNERATION – PERFORMANCE ANALYSIS

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

NAME	30 JUNE 2021 % PERFORMANCE	30 JUNE 2020 % PERFORMANCE
P. Fallourd	-	(5.00%)
M. Longhurst	**0.83%**	5.75%
D. Kubicki	**1.11%**	8.03%

14.2.2. RELATIONSHIP BETWEEN REMUNERATION AND ATLAS PERFORMANCE

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

	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018	30 JUNE 2017
Profit/(loss) for the year	**6,719,924**	(8,076,827)	(3,582,461)	(2,034,099)	900,581
Basic earnings per share	**1.58**	(1.90)	(0.84)	(0.48)	0.21
Dividend payments	**-**	-	-	-	-
Increase/(decrease) in share price	**200%**	(38%)	(67%)	(8%)	(19%)
Total KMP incentives as percentage of profit/(loss) %	**0.1%**	(0.2%)	(2.5%)	(0.8%)	3%

14.3. SERVICE AGREEMENTS

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

Details of Key Management Personnel contracts are set out below:

14.3.1. MR GEOFFERY NEWMAN • (EXECUTIVE CHAIRMAN - APPOINTED 1 OCTOBER 2019)

- Base salary for the 2021 financial period of $120,000 per annum inclusive of superannuation for three days per week, reviewed annually.
- Chairman fees of $78,000 per annum including superannuation.
- In response to the Global Pandemic, COVID-19, salaries were reduced 20% effective 1 April 2020 to 30 June 2020 and 10% effective 01 July 2020 to 31 December 2020.
- No bonus has been accrued as payable for 20/21.
- Either party may terminate the contract of employment by giving three months ' notice or a lesser amount as mutually agreed.

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

- Base salary for the 2021 financial period of $200,000 per annum.
- 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 20/21.
- In response to the Global Pandemic, COVID-19, salaries were reduced 20% effective 1 April 2020 to 30 June 2020 and 10% effective 01 July 2020 to 31 December 2020.
- Either party may terminate the contract of employment by giving six months ' notice or a lesser amount as mutually agreed.

14.3.3. MS DIANA KUBICKI • (CHIEF FINANCIAL OFFICER - APPOINTED 26 MARCH 2018)

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

14.3.4. OTHER NON - EXECUTIVES (STANDARD CONTRACTS)

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

14.4. ADDITIONAL INFORMATION OF THE REMUNERATION REPORT

14.4.1. LOANS FROM DIRECTORS AND EXECUTIVES

- During the year ended 30 June 2020 additional financing of $2M was received from Boneyard Investments Pty Ltd, a related party of Tim Martin (Non-exective Director)
- As at 30 June 2021 the balance of the loan was $4.0M (30 June 2020: $2.5M)
- As at 30 June 2021 interest accrued and payable on loans from related parties is nil (30 June 2020: $46,747)

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

14.4.2. OPTIONS

Performance options were issued to Key Management Personnel during the financial year end 30 June 2019.

The options were issued at nil cost to employees and expired on 30 June 2021. The options are exercisable based on graduated vesting dates. Refer to section 14.5.3 for details.

14.4.3. OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

As at 30 June 2021, Director fees of $3,750 are payable (30 June 2020: $3,333).

14.5. SHARE BASED PAYMENTS COMPENSATION

14.5.1. EMPLOYEE SALARY SACRIFICE SHARE PLAN

There was no salary sacrifice scheme undertaken for the year ended 30 June 2021.

14.5.2. PERFORMANCE OPTIONS

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

The fair value at grant date, for options issued 20 November 2018, is independently determined using a Hoadley Trading & Investment valuation model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

NAME	DATE OF GRANT	ENTITLEMENT NO. OF OPTIONS	VESTING DATE	EXPIRY DATE	FINANCIAL YEAR IN WHICH SHARES VEST	SHARE PRICE AT GRANT DATE	OPTION EXERCISE PRICE	VOLATILITY	RISK FREE RATE	TOTAL VALUE OF OPTIONS AT GRANT DATE	FAIR VALUE
Pierre Fallourd[1]	20/11/18	1,083,940	30/11/18	30/06/21	2019	$0.019	$0.027	100%	2.13%	$10,666	$0.00984
Mark Longhurst[1]	20/11/18	903,282	30/11/18	30/06/21	2019	$0.019	$0.027	100%	2.13%	$8,888	$0.00984
Mark Longhurst[1]	20/11/18	1,354,924	01/07/19	30/06/21	2020	$0.019	$0.027	100%	2.13%	$13,332	$0.00984
Diana Kubicki[1]	20/11/18	1,567,340	01/07/19	30/06/21	2020	$0.019	$0.027	100%	2.13%	$15,423	$0.00984
Mark Longhurst[1]	20/11/18	2,258,206	01/07/20	30/06/21	2021	$0.019	$0.027	100%	2.13%	$22,221	$0.00984
Diana Kubicki[1]	20/11/18	2,351,009	01/07/20	30/06/21	2021	$0.019	$0.027	100%	2.13%	$23,134	$0.00984

Notes: 1. These unlisted options were approved by the Board of Directors on 20 November 2018. and are subject to the following vesting conditions:
i. vesting dates - tranche one will vest immediately, tranche two will vest on 01 July 2019 and tranche three will vest on 01 July 2020; and
ii. the employee remains engaged as an employee at the date of the prescribed vesting above in (i).

14.5.3. EQUITY INSTRUMENTS

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

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

1. Options and rights granted as compensation:
   There were nil options issued to Key Management Personnel as remuneration during the year ended 30 June 2021 (30 June 2020: nil).

(B) SHAREHOLDINGS

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

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

	BALANCE 01/07/20	GRANTED AS COMPENSATION	OPTIONS EXERCISED	AQUIRED[2]	BALANCE 30/06/21
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	-	-	-	1,000,000	1,000,000
OTHER KEY MANAGEMENT PERSONNEL					
Mr M. Longhurst	-	-	-	-	-
Ms D. Kubicki	-	-	-	-	-
	110,889,993	**-**	**-**	**1,000,000**	**111,889,993**

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. On the 3rd August 2021, Bioneyard Investments Pty Ltd purchased 1,500,000 ordinary shares.
2. On-market purchase of ordinary shares.

(C) OPTION HOLDING

The number of options over ordinary shares in the parent entity held during the 12 months ended 30 June 2021 by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE 01/07/20	GRANTED	VESTED	EXERCISED	LAPSED[1]	BALANCE 30/06/21
PARENT ENTITY DIRECTORS						
Mr G. Newman	-	-	-	-	-	-
Mr T. Martin	-	-	-	-	-	-
Mr. C Buss	-	-	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL						
Mr M. Longhurst	2,258,206	-		-	2,258,206	-
Ms D. Kubicki	2,351,009	-		-	2,351,009	-
	4,609,215	-		-	**4,609,215**	**-**

Notes: 1. Options lapsed 30 June 2021.

This is the end of the Audited Remuneration Report.

The security team, Lembata farm site

15. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

Signed in accordance with a resolution of the Directors.

Geoff Newman
Chairman
31 August 2021

Part of the Alyui farm team

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

As lead auditor of Atlas Pearls Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 31 August 2021

Banyu Biry Farm Manager - Romdon

Alyui Dive team supervisor - Malki (10 years with Atlas Pearls)

Alyui Dive Team - Ningsy.
(First Atlas Pearls female Dive Master)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTES	2021 $	2020 $
Revenue from contracts with customers	3	**18,280,749**	13,740,385
Cost of goods sold		**(8,445,407)**	(8,546,266)
GROSS PROFIT		**9,835,342**	5,194,119
Other income	3	**576,164**	1,005,310
Administration expenses	5	**(4,541,454)**	(5,116,483)
Finance costs	5	**(445,836)**	(368,301)
Marketing expenses		**(257,657)**	(196,306)
Change in fair value less husbandry costs of oysters		**3,988,632**	(4,280,249)
Write down of pearls and jewellery		**(86,909)**	(2,423,906)
Other expenses	5	**(992,568)**	(789,252)
PROFIT / (LOSS) BEFORE INCOME TAX		**8,075,714**	(6,975,068)
Income tax expense	7	**(1,355,790)**	(1,101,760)
PROFIT / (LOSS) AFTER INCOME TAX		**6,719,924**	(8,076,828)
OTHER COMPREHENSIVE INCOME / (LOSSES)			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		**(1,936,581)**	(67,431)
OTHER COMPREHENSIVE INCOME / (LOSSES) NET OF TAXES		**(1,936,581)**	(67,431)
TOTAL COMPREHENSIVE INCOME / (LOSSES)		**4,783,343**	(8,144,259)
PROFIT / (LOSS) IS ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		**6,719,924**	(8,076,828)
TOTAL COMPREHENSIVE INCOME / (LOSSES) IS ATTRIBUTABLE TO : THE OWNERS OF THE COMPANY		**4,783,343**	(8,144,259)
Overall operations:			
EARNINGS PER SHARE FOR PROFIT / (LOSS) FROM CONTRACTS WITH CUSTOMERS ATTRIBUTABLE			
TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings profit / (loss) per share (CENTS)	6	**1.58**	(1.90)
Diluted earnings per share (CENTS)	6	**1.58**	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2021 $	2020 $
CURRENT ASSETS			
Cash and cash equivalents	8	**3,022,311**	718,302
Trade and other receivables		**526,388**	358,361
Inventories	9	**714,952**	1,718,211
Biological assets	4	**10,419,792**	5,410,284
TOTAL CURRENT ASSETS		**14,683,443**	8,205,158
NON-CURRENT ASSETS			
Intangibles		**87,384**	173,410
Loans to joint venture entities		**1,923**	-
Biological assets	4	**6,824,384**	7,373,444
Property, plant and equipment	11	**5,138,987**	5,288,247
Right-of-use assets	12	**524,582**	569,603
Deferred tax assets	7	**791,078**	689,873
TOTAL NON-CURRENT ASSETS		**13,368,338**	14,094,577
TOTAL ASSETS		**28,051,781**	22,299,735
CURRENT LIABILITIES			
Trade and other payables	10	**636,580**	927,393
Provisions	10	**2,766,575**	2,260,371
Borrowings	13	**2,974,645**	4,268,989
Lease Liabilities	12	**61,151**	269,203
Current tax liabilities	7	**422,319**	393,200
TOTAL CURRENT LIABILITIES		**6,861,271**	8,119,156
NON-CURRENT LIABILITIES			
Lease liabilities	12	**257,413**	63,631
Borrowings	13	**1,223,929**	250,000
Deferred tax liabilities	7	**1,256,238**	116,657
Provisions	10	**28,175**	108,747
TOTAL NON-CURRENT LIABILITIES		**2,765,755**	539,035
TOTAL LIABILITIES		**9,627,026**	8,658,191
NET ASSETS		**18,424,755**	13,641,544
EQUITY			
Contributed equity	14	**36,857,415**	36,857,415
Reserves	15	**(9,724,683)**	(7,787,970)
(Accumulated losses)		**(8,707,977)**	(15,427,901)
TOTAL EQUITY		**18,424,755**	13,641,544

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTES	CONTRIBUTED EQUITY	REVALUATION RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	(ACCUMULATED LOSS)	TOTAL EQUITY
		ATTRIBUTABLE TO OWNERS OF ATLAS PEARLS					
		$	$	$	$	$	$
BALANCES AT 1 JULY 2020		**36,857,415**	**179,179**	**911,215**	**(8,878,364)**	**(15,427,901)**	**13,641,544**
PROFIT FOR THE YEAR		-	-	-	-	6,719,924	6,719,924
Exchange differences on translation of foreign operations	15	-	-	-	(1,936,581)	-	(1,936,581)
TOTAL COMPREHENSIVE INCOME / (LOSS)		-	-	-	(1,936,581)	6,719,924	4,783,343
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Employee share scheme	15	-	-	(132)	-	-	(132)
BALANCE AT 30 JUNE 2021		**36,857,415**	**179,179**	**911,083**	**(10,814,945)**	**(8,707,977)**	**18,424,755**
BALANCES AT 1 JULY 2019		**36,857,415**	**179,179**	**873,267**	**(8,810,933)**	**(7,189,393)**	**21,909,535**
LOSS FOR THE YEAR		-	-	-	-	(8,076,828)	(8,076,828)
Exchange differences on translation of foreign operations	15	-	-	-	(67,431)	-	(67,431)
TOTAL COMPREHENSIVE INCOME / (LOSS)		-	-	-	(67,431)	(8,076,828)	(8,144,259)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Adjustment from the adoption of AASB16		-	-	-	-	(161,680)	(161,680)
BALANCE AT 01 JULY 2019 - RESTATED	14	36,857,415	179,179	873,267	(8,810,933)	(7,351,073)	(21,747,855)
Employee share scheme	15	-	-	37,948	-	-	37,948
BALANCE AT 30 JUNE 2020		**36,857,415**	**179,179**	**911,215**	**(8,878,364)**	**(15,427,901)**	**13,641,544**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from pearl and jewellery sales		**17,273,098**	13,026,422
Proceeds from pearl by-product sales		**924,347**	1,362,575
Payments to suppliers and employees		**(13,556,124)**	(14,944,263)
Income tax (paid)		**(461,097)**	(460,406)
Interest paid		**(408,850)**	(364,595)
Interest received		**2,298**	87,202
Net cash inflow/(outflow) from operating activities	8	**3,773,672**	(1,293,065)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of joint venture		**-**	1,500,000
Payments for property, plant and equipment		**(1,252,245)**	(946,327)
Acquisition of subsidiary PT Disthi Mutiara Suci		**-**	(129,321)
Net cash (outflow)/inflow from investing activities		**(1,252,245)**	424,352
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(3,870,292)**	(2,678,023)
Proceeds from borrowings		**3,663,916**	3,273,124
Repayment of lease liabilities		**(338,266)**	(503,081)
Net cash (outflow)/inflow from financing activities		**(544,642)**	92,020
Net increase/(decrease) in cash and cash equivalents		**1,976,785**	(776,693)
Cash and cash equivalents at the beginning of the year		**718,302**	1,017,220
Effects of exchange rate changes on cash and cash equivalents		**327,224**	477,775
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**3,022,311**	718,302

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 PREPARATION

1. *Basis of Preparation*

1.1. BASIS OF PREPARATION

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' report which is not part of these financial statements. The financial statements were authorised for issue by the Directors on 30 August 2021. The Directors have the power to amend and reissue the financial statements.

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

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

The accounting policies are consistent with those disclosed in the 2020 financial statements, except for the impact of all new or amended standards and interpretations.

1.2. CRITICAL ACCOUNTING ESTIMATES

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) Pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of products offered, customers, supply chain and employees. Other than as addressed in specific notes, there does not appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably at the reporting date or subsequently as a result of the Coronavirus (COVID-19) Pandemic.

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) Recoverability of deferred tax asset - see note 7
(d) Property, plant and equipment depreciation rates - see note 11
(e) Assessment of Lease Liabilities - see note 12

1.3. GOING CONCERN

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has recorded a net profit after tax for the year ended 30 June 2021 of $6.7M (2020: loss ($8M)) and net cash inflows from operating activities of $3.8M (2020: outflows ($1.3M)). At 30 June 2021, the Group had a working capital balance of $4.8M (2020: deficit ($0.6M)).

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

- the quality of harvested pearls meeting valuation expectations;
- the international market for loose pearls continuing to show signs of recovery post COVID-19 initial impacts; and
- the Group continuing to achieve profitable operations with positive operating cash flows.

The COVID-19 pandemic, announced by the World Health Organization on 31 January 2020, is continuing to a have negative impact on world stock markets, currencies and general business activity. There are still many uncertainties and at report date the impact of the pandemic is still ongoing and the possibility of further waves and imposed Government restrictions remain unclear, making it impractical to reliably measure any future impact to the Group's financial performance.

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

The Directors have reasonable grounds to believe that the Group will continue as a going concern due to the realisation of sales through alternate distribution channels, such as the online auction system, improvements in pearl quality and continued availability of banking facilities (overdraft) and shareholder loans remaining in place in line with their contracted maturity dates.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Group is 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 have been amended since the 2020 Financial Statements, as a result of the closure of retail stores.

DISAGGREGATION OF REVENUE

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

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

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

INTER-ENTITY SALES

Inter-entity sales are recognised on a cost-plus arrangement as per the Advance Pricing Agreement (APA) effective 1 July 2017 through to 30 June 2020. The transfer price terms per the APA are between 11.8% and 16.47%. Atlas has applied for an extension of the current APA agreement, which is currently being reviewed by the respective tax authorities. These transactions are eliminated within the internal reports. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

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

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

	2021	2020
TOTAL SEGMENT REVENUE	**31,605,423**	27,951,111
Inter-segment eliminations	**(13,324,674)**	(14,210,726)
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 3)	**18,280,749**	13,740,385

Major customers by country 2021

Major customers by country 2020

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

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

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

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 30 June 2020 is as follows:

30 JUNE 2020	LOOSE PEARLS AUSTRALIA $	LOOSE PEARLS INDONESIA $	TOTAL
Total segment revenue	12,193,466	15,757,645	27,951,111
Inter-segment revenue	-	(14,210,726)	(14,210,726)
REVENUE FROM EXTERNAL CUSTOMERS	**12,193,466**	**1,546,919**	**13,740,385**
TIMING OF REVENUE RECOGNITION			
At a point in time	12,193,466	1,546,919	13,740,385
Over time	-	-	-
	12,193,466	**1,546,919**	**13,740,385**
NORMALISED EBITDA	**(1,820,463)**	**1,998,365**	**177,902**
ADJUSTED NET OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**(2,602,748)**	**1,806,863**	**(805,884)**
Depreciation and amortisation	437,821	188,191	626,012
Revaluation of Biological Assets	-	(4,280,249)	(4,280,249)
TOTAL SEGMENT ASSETS	**1,054,973**	**20,554,284**	**21,609,257**
Total assets include:			
Additions to non–current assets	40,089	906,237	946,326
TOTAL SEGMENT LIABILITIES	**(601,255)**	**(2,695,257)**	**(3,296,511)**

2.2. OTHER SEGMENT INFORMATION

(i) Adjusted net operating profit

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

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

	2021 $	2020 $
SEGMENT NET OPERATING PROFIT/(LOSS) BEFORE TAX	**4,618,839**	(805,884)
Changes in fair value of biological and agricultural assets	**3,988,632**	(4,280,249)
Write-off of pearls and jewellery	**(86,909)**	(2,423,906)
Foreign exchange gains	**311,194**	625,052
Foreign exchange losses	**(756,042)**	(168,064)
Other	**-**	77,985
TOTAL PROFIT/(LOSS) BEFORE INCOME TAX FROM OPERATIONS	**8,075,714**	(6,975,068)

(ii) Segment assets

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

	2021 $	2020 $
SEGMENT ASSETS (Note 2.1)	**27,258,219**	21,609,257
Unallocated:		
Joint Venture Loans	**2,484**	605
Deferred tax assets	**791,078**	689,873
TOTAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION	**28,051,781**	22,299,735

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $870,061 (30 June 2020: $941,927). The total located in Indonesia is $12,341,071 (30 June 2020: $14,468,195).

(iii) Segment liabilities

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

	2021 $	2020 $
SEGMENT LIABILITIES (Note 2.1)	**3,431,330**	3,296,511
Unallocated:		
Current tax liabilities	**422,319**	393,200
Borrowings	**4,198,574**	4,582,620
Lease liabilities	**318,565**	269,203
Deferred tax liabilities	**1,256,238**	116,657
TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION	**9,627,026**	8,658,191

(iv) Normalised EBITDA reconciliation

	2021 $	2020 $
Net profit/(loss) before tax	**8,075,714**	(6,975,068)
Finance/interest paid	**443,573**	319,828
Depreciation/amortisation	**473,171**	626,012
FX (gain)/loss	**444,849**	(456,988)
Agriculture standard revaluation (gain)/loss	**(3,988,632)**	4,280,249
Write-off of pearls and jewellery	**86,909**	(2,423,906)
Other non-operating (income)/expense	**92,638**	(60,441)
(Gain)/loss on derivative instruments	**-**	20,404
NORMALISED EBITDA	**5,628,222**	177,902

3. Revenue from Contracts with Customers

3.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 $	2020 $
Sale of goods	18,280,749	13,740,385
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	18,280,749	13,740,385

3.2. OTHER INCOME

	2021 $	2020 $
Foreign exchange gains	311,194	625,052
Grant funds[1]	247,416	169,366
Interest income	2,262	48,473
COVID-19 rent relief	15,292	23,577
Other Income	-	40,452
TOTAL OTHER INCOME	576,164	1,005,310

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

SIGNIFICANT ACCOUNTING POLICY

Revenue from contracts with customers

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

Government Grants

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

Sale of Goods - Wholesale

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

Sale of Goods - Retail

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

4. Biological Assets

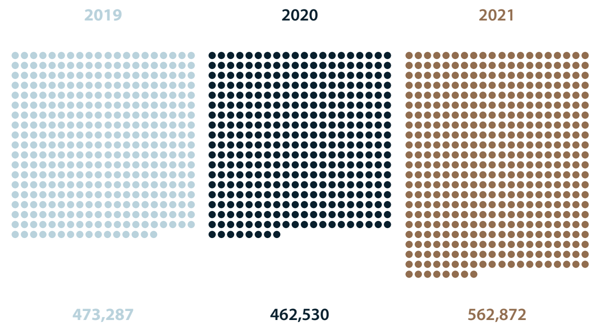
	2021 $	2020 $
CURRENT		
Oysters – at fair value	10,419,792	5,410,284
TOTAL CURRENT BIOLOGICAL ASSETS	10,419,792	5,410,284
Oysters – at fair value	6,824,384	7,373,444
TOTAL NON-CURRENT BIOLOGICAL ASSETS	6,824,384	7,373,444
TOTAL BIOLOGICAL ASSETS	17,244,176	12,783,728

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:

JUVENILE & MATURE OYSTERS

NUCLEATED OYSTERS

PEARLS HARVESTED 2021



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

SIGNIFICANT ACCOUNTING POLICY

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

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

SIGNIFICANT JUDGEMENT

Fair value should reflect market participant views and market data at the measurement date under current market conditions. The valuation of oysters contains both observable and unobservable inputs impacted by COVID-19. Looking ahead, the impact of COVID-19 on the global economy and financial markets is expected to continue to evolve. The Group carefully considered these impacts when assessing the fair value of oyster stocks. A fair valuation uplift of $3,988,632 (2020: $4,280,249 decrease) is included in the valuation of biological assets.

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

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

4.1. KEY PRODUCTION ASSUMPTIONS

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

INPUT	2021	2020	COMMENTARY
Average selling price	**¥10,457**	¥9,413 - ¥12,383 per momme	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	**¥83.12**	¥76.60 : AUD 1	Based on forward Yen price per a financial institution.
Average pearl size	**0.45**	0.39	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	**37%**	35%	Based on historical data for pearl grade over the last 12 months.
Discount rate	**20%**	20%	Based on analysis of comparable primary producers.
Mortality	**Historical**	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	**$1.69**	$2.04	Based on historical independent valuation.
Costs to complete	**$0.53**	$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:

	AVERAGE SELLING PRICE (¥/MOMME)		
	-10% ¥9,411 (SELLABLE GRADE) ¥1,166 (COMMERCIAL GRADE)	NO CHANGE ¥10,457 (SELLABLE GRADE) ¥1,295 (COMMERCIAL GRADE)	+10% ¥11,503 (SELLABLE GRADE) ¥1,425 (COMMERCIAL GRADE)
DISCOUNT RATE	PROFIT $	PROFIT $	PROFIT $
22%	(2,557,247)	(234,316)	2,088,614
20%	(2,365,072)	-	2,365,072
18%	(2,165,458)	243,560	2,652,579

	AVERAGE SELLING PRICE (¥/MOMME)		
	-10% ¥9,411 (SELLABLE GRADE) ¥1,166 (COMMERCIAL GRADE)	NO CHANGE ¥10,457 (SELLABLE GRADE) ¥1,295(COMMERCIAL GRADE)	+10% ¥11,503 (SELLABLE GRADE) ¥1,425 (COMMERCIAL GRADE)
FX RATE	PROFIT $	PROFIT $	PROFIT $
¥91.44	(4,188,763)	(2,026,323)	136,117
¥83.12	(2,365,072)	-	2,365,072
¥74.81	(163,839)	2,445,814	5,055,468

	SELLABLE %		
	-10% 33% (SELLABLE %) 24% (COMMERCIAL %)	NO CHANGE 37% (SELLABLE %) 26% (COMMERCIAL %)	+10% 41% (SELLABLE %) 29% (COMMERCIAL %)
AV. WEIGHT	PROFIT $	PROFIT $	PROFIT $
0.49	457,319	2,365,072	4,279,848
0.45	(1,739,775)	-	1,740,706
0.40	(3,876,272)	(2,306,090)	(735,070)

5. *Expenses*

5.1. ADMINISTRATION EXPENSES FROM ORDINARY ACTIVITIES

	2021 $	2020 $
Salaries and wages	**2,808,960**	3,004,855
Depreciation property, plant and equipment	**212,005**	294,598
Amortisation of intangible asset	**25,187**	102,803
Amortisation of right-of-use asset	**235,979**	228,611
Occupany Costs	**110,990**	158,711
Compliance and accounting	**426,301**	405,965
Travel	**120,605**	318,308
Other	**601,427**	602,632
TOTAL ADMINISTRATION EXPENSES	**4,541,454**	5,116,483

5.2. FINANCE COSTS

	2021 $	2020 $
Interest and finance charges payable	**417,298**	342,017
Interest from lease Liabilities	**28,538**	26,284
TOTAL FINANCE COSTS	**445,836**	368,301

5.3. OTHER EXPENSES

	2021 $	2020 $
Loss on foreign exchange	**756,042**	168,064
Loss on derivative financial instruments	**-**	20,404
Provision for employee entitlements	**181,848**	254,854
Share option expense	**(132)**	37,948
Other	**54,810**	307,982
TOTAL OTHER EXPENSES	**992,568**	789,252

6. Earnings profit/(loss) per share

	2021 $	2020 $
Basic earnings/(loss) per share (cents per share)	**1.58**	(1.90)
Diluted earnings per share (cents per share)	**1.58**	-

6.1. EARNINGS RECONCILIATION

	2021 $	2020 $
Net profit/(loss) used for basic earnings	**6,719,924**	(8,076,828)

	2021 $	2020 $
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	**424,809,620**	424,809,620
Adjustments for calculation of diluted earnings per share	**-**	-
WEIGHTED AVERAGE NUMBER OF POTENTIAL ORDINARY SHARES OUTSTANDING DURING THE YEAR USED FOR CALCULATION OF DILUTED EARNINGS PER SHARE	**424,809,620**	424,809,620

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 30 June 2021 as potential ordinary shares which may have a dilutive effect on the profit of the Group.

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

SIGNIFICANT ACCOUNTING POLICY

Basic earnings per share

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

Diluted earnings per share

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

PART C - TAX

7. Tax

7.1. INCOME TAX EXPENSE

	2021 $	2020 $
(A) THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:		
Current tax	**317,414**	543,587
Deferred tax	**1,038,376**	601,006
Prior period (over) provision	**-**	(42,833)
INCOME TAX EXPENSE	**1,355,790**	1,101,760
(B) DEFERRED INCOME TAX (REVENUE) EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES:		
Decrease/(increase) in deferred tax assets (excluding tax losses) (note 7.2)	**(101,205)**	2,326,571
(Decrease)/increase in deferred tax liabilities (note 7.2)	**1,139,581**	(1,725,565)
DEFERRED TAX EXPENSE	**1,038,376**	601,006
(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE:		
Profit/(loss) before income tax expense	**8,075,714**	(6,975,068)
Tax at the Australian tax rate of 26% (30 June 2020 : 27.5%)	**2,099,685**	(1,918,144)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	**42,485**	84,217
Sundry items	**(13,842)**	109,653
Permanent differences	**(20,879)**	(13,750)
Difference in overseas tax rates	**(56,053)**	(49,846)
Prior period (over) provision	**-**	(42,833)
Capital losses not recognised	**-**	(262,835)
Previously recognised deferred tax assets	**(657,796)**	2,800,658
Adjustment to Australian tax rate	**(37,810)**	394,640
INCOME TAX EXPENSE	**1,355,790**	1,101,760
Weighted average effective tax rates	**17%**	(16%)
(D) DEFERRED INCOME TAX AT 30 JUNE RELATES TO THE FOLLOWING:		
Deferred tax liabilities		
Fair value adjustment on biological assets	**(1,073,734)**	1,726,026
Prepayments	**(159)**	128
Derivative financial instruments	**-**	5,611
Other	**(65,688)**	(6,200)
Deferred tax assets		
Difference in accounting and tax depreciation	**11,616**	73,350
Stock	**(605,976)**	(7,596)
Accruals	**13,777**	238
Provisions	**(40,549)**	66,719
Other	**64,541**	(54,220)
Tax losses	**-**	673,504
Investment	**-**	(277,908)
Previously recognised deferred tax assets	**657,796**	(2,800,658)
DEFERRED (INCOME)	**(1,038,376)**	(601,006)

For details of the franking account, refer to Note 16

7.2. TAX ASSETS AND LIABILITIES

	2021 $	2020 $
(A) LIABILITIES		
CURRENT		
Income tax payable	**422,319**	393,200
NON-CURRENT		
Deferred tax liabilities comprises temporary differences attributable to:		
Agricultural and biological assets at fair value	**1,101,262**	27,528
Prepayments	**159**	-
Other	**154,817**	89,129
TOTAL DEFERRED TAX LIABILITIES	**1,256,238**	116,657
(B) ASSETS		
Deferred tax assets comprises temporary differences attributable to:		
Agricultural and biological assets at fair value	**-**	605,976
Accruals	**32,390**	18,613
Provisions	**595,767**	636,317
Tax allowances relating property, plant & equipment	**84,965**	73,350
Other	**77,956**	13,413
	791,078	1,347,669
Previously recognised deferred tax assets	**-**	(5,040,498)
Tax losses recognised	**-**	4,382,702
TOTAL DEFERRED TAX ASSETS	**791,078**	689,873
(C) RECONCILIATIONS		
The overall movement in deferred tax account is as follows:		
Opening balance	**573,217**	1,174,223
(Charge)/credit to statement of profit or loss and other comprehensive income	**(1,038,376)**	(601,006)
CLOSING BALANCE	**(465,159)**	573,217

SIGNIFICANT JUDGEMENT

Deferred tax assets

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

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

Changes in tax rate

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

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

PART D - CASH FLOW INFORMATION

8. Cash and Cash Equivalents

	2021 $	2020 $
Cash at bank	**3,022,311**	718,302
BALANCES PER STATEMENT OF CASH FLOWS	**3,022,311**	718,302

RISK EXPOSURE

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

CASH NOT AVAILABLE FOR USE

The Group has cash held as a guarantee as part of their obligations under their lease agreements totalling $129,696 (30 June 2020: $100,000).

8.1. NOTES TO THE CASH FLOW STATEMENT

8.1.1.RECONCILIATION OF CASH

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

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

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

	2021 $	2020 $
PROFIT/(LOSS) AFTER INCOME TAX	**6,719,924**	(8,076,828)
Depreciation and amortisation	**473,171**	626,012
Investment income	**-**	(98,390)
Share based payments	**(132)**	37,948
Foreign exchange (gain)/losses unrealised	**(306,824)**	613,260
Income tax expense/(benefit)	**1,355,790**	1,101,760
Derivative instrument (gains)/losses unrealised	**-**	20,404
Agricultural asset fair value (gains)/losses	**(3,988,632)**	6,704,155
Decrease/(increase) in trade and other debtors	**(64,556)**	1,726,452
Decrease/(increase) in inventories	**633,656**	(2,289,496)
(Decrease)/increase in trade and other creditors	**(322,963)**	(210,457)
Increase/(decrease) in provision	**323,292**	241,314
Increase/(decrease) in taxes	**(1,049,054)**	(1,689,199)
NET CASH OBTAINED/ (USED IN) OPERATING ACTIVITIES	**3,773,672**	(1,293,065)

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 2021, the Company had in place a bank overdraft loan facility with the National Australia Bank with a limit of $1.5M (30 June 2020: $1.5M).

PART E - WORKING CAPITAL

9. *Inventories*

	2021 $	2020 $
Pearls	**479,651**	1,281,225
Jewellery	**235,301**	436,986
TOTAL INVENTORY	**714,952**	1,718,211
NUMBER OF PEARLS ON HAND	**81,289**	101,904

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 2021, no write off of pearl stocks has been recorded (30 June 2020: $2,423,906).

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.

SIGNIFICANT ACCOUNTING POLICY

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the capture of the sales, settlement terms are either cash on delivery or 30 days from the date of invoice. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised costs using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 25.

10. *Trade and Other Payables*

	2021 $	2020 $
CURRENT		
Provisions	**2,766,575**	2,260,371
Trade payables	**289,903**	573,734
Other payables and accrued expenses	**346,678**	353,660
TOTAL CURRENT TRADE AND OTHER PAYABLES	**3,403,156**	3,187,764
NON-CURRENT		
Other payables and accrued expenses	**28,175**	108,747
TOTAL NON-CURRENT TRADE AND OTHER PAYABLES	**28,175**	108,747
TOTAL TRADE AND OTHER PAYABLES	**3,431,331**	3,296,511

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

SIGNIFICANT ACCOUNTING POLICY

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

PART F - FIXED ASSETS & LIABILITIES

11. Property, plant and equipment

	2021 $	2020 $
(A) NON-PEARLING ASSETS		
Plant and equipment		
- at cost	**692,249**	1,121,537
- accumulated depreciation	**(595,423)**	(1,089,264)
	96,826	32,273
Leasehold improvements		
- at cost	**278,904**	898,999
- accumulated depreciation	**(196,287)**	(775,325)
	82,617	123,674
Total non-pearling assets	**179,443**	155,947
(B) PEARLING PROJECT		
Land (leasehold and freehold) and buildings		
- at cost	**2,400,159**	2,718,632
- accumulated depreciation	**(709,398)**	(674,293)
	1,690,761	2,044,339
Plant and equipment, vessels, vehicles		
- at cost	**9,920,649**	9,634,999
- accumulated depreciation	**(6,651,866)**	(6,547,038)
	3,268,783	3,087,961
Total pearling project	**4,959,544**	5,132,300
TOTAL PROPERTY, PLANT AND EQUIPMENT	**5,138,987**	5,288,247

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

	2021 $	2020 $
(A) NON-PEARLING ASSETS		
Plant and equipment		
Carrying amount at beginning of the year	**32,274**	140,798
Additions	**82,956**	40,090
Reclassifications /Disposals	**(2,677)**	(2,341)
Depreciation	**(17,076)**	(142,068)
Foreign exchange movement	**1,349**	(4,205)
Carrying amount at end of the year	**96,826**	32,273
Leasehold Improvements		
Carrying amount at beginning of the year	**123,674**	312,581
Additions	**54,833**	-
Reclassifications/Disposals	**(27,149)**	(118,650)
Depreciation	**(64,824)**	(70,363)
Foreign exchange movement	**(3,917)**	106
Carrying amount at end of the year	**82,617**	123,674

	2021 $	2020 $
(B) PEARLING PROJECT		
Leasehold land and buildings		
Carrying amount at beginning of the year	**2,044,339**	2,048,120
Additions	**972,843**	772,921
Revaluation of freehold land	**(1,038,837)**	(671,667)
Depreciation	**(97,726)**	(106,349)
Foreign exchange movement	**(189,858)**	1,314
Carrying amount at end of the year	**1,690,761**	2,044,339
Plant and equipment, vessels and vehicles		
Carrying amount at beginning of the year	**3,087,961**	3,016,413
Additions	**141,613**	133,316
Disposals / reclassifications	**1,038,837**	664,594
Depreciation	**(712,850)**	(735,366)
Foreign exchange movement	**(286,778)**	9,004
Carrying amount at end of the year	**3,268,783**	3,087,961
TOTAL CARRYING AMOUNT	**5,138,987**	5,288,247

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

	2021 $	2020 $
Depreciation charge	**(892,476)**	(1,054,146)
Capitalised depreciation charge	**680,471**	759,548
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**(212,005)**	(294,598)
Depreciation of PPE	**(212,005)**	(294,598)
Amortisation of Intangible Asset	**(25,187)**	(102,803)
Amortisation of right-of-use Asset	**(235,979)**	(228,611)
DEPRECIATION CHARGE (NOTE 5)	**(473,171)**	(626,012)

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

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

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

Construction in Progress

Included in pearling project land (leasehold and freehold) and buildings is $994,135 (30 June 2020: $571,941) which represents construction of buildings in progress at cost. These expenses will be capitalised within property, plant and equipment when a project is completed.

12. Leases

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

(A) RIGHT-OF-USE ASSETS

	2021 $	2020 $
Land and buildings - right-of-use	**671,507**	2,728,657
Less: Accumulated depreciation	**(146,925)**	(2,159,054)
TOTAL RIGHT-OF-USE ASSETS	**524,582**	569,603

(B) LEASE LIABILITIES

	2021 $	2020 $
Lease Liabilities (current)	**61,151**	269,203
Lease Liabilities (non-current)	**257,413**	63,631
TOTAL LEASE LIABILITIES	**318,564**	332,834

SIGNIFICANT JUDGEMENT

Leases

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

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

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

Refer to note 25 for accounting policy.

The Claremont lease expired on 12 May 2021, the Group has entered into a new lease agreement for a premise in Subiaco on 1 Februrary 2021.

PART G - FUNDING, CAPITAL MANAGEMENT & EQUITY

13. Borrowings

	2021 $	2020 $
CURRENT		
Other loans	**2,974,645**	4,268,989
TOTAL CURRENT BORROWINGS	**2,974,645**	4,268,989
NON CURRENT		
Bank Loan	**98,929**	250,000
Other loans	**1,125,000**	63,631
TOTAL NON-CURRENT BORROWINGS	**1,223,929**	313,631
TOTAL BORROWINGS	**4,198,574**	4,582,620

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

SIGNIFICANT ACCOUNTING POLICY

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

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

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

14. *Contributed equity*

	2021 NO. OF SHARES	2020 NO. OF SHARES	2021 $	2020 $
Issued and fully paid-up capital	**422,909,620**	422,909,620	**36,857,415**	36,857,415
ORDINARY SHARES				
Balance at beginning of year	**424,809,620**	424,809,620	**36,857,415**	36,857,415
Shares issued	-	-	**-**	-
Share transaction costs	-	-	**-**	-
Balance at end of year	**424,809,620**	424,809,620	**36,857,415**	36,857,415
TREASURY SHARES				
Balance at beginning of year	**3,062,138**	3,062,138		
Shares released	-	-		
Balance at end of year	**3,062,138**	3,062,138		

Treasury shares are shares in Atlas Pearls that are held by the Atlas Pearls Ltd Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee share plan. No treasury shares were issued over the course of financial year ended 30 June 2021 to employees as part of the Atlas employee share salary sacrifice plan (30 June 2020: nil).

(I) RIGHTS

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

(II) OPTIONS

There are no unlisted options on issue at 30 June 2021.

(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 23% at 30 June 2021 (30 June 2020 : 34%)

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

SIGNIFICANT ACCOUNTING POLICY

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

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

15. Reserves

	2021 $	2020 $
Foreign Currency Translation Reserve	**(10,814,945)**	(8,878,364)
Employee Share Reserve	**911,083**	911,215
Revaluation Reserve	**179,179**	179,179
TOTAL RESERVES	**(9,724,683)**	(7,787,970)
Movements:		
Foreign Currency Translation Reserve[1]		
Balance at beginning of year	**(8,878,364)**	(8,810,933)
Currency translation differences arising during the year	**(1,936,581)**	(67,431)
Balance at end of year	**(10,814,945)**	(8,878,364)
Employee Share Reserve[2]		
Balance at beginning of year	**911,215**	873,267
Movement in Employee Share Reserve	**(132)**	37,948
Balance at end of year	**911,083**	911,215
Revaluation Reserve[3]	**-**	
Balance at beginning of year	**179,179**	179,179
Movement in Revaluation Reserve	**-**	-
Balance at end of year	**179,179**	179,179

NOTES: 1. The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the reporting currency.
2. The employee share reserve records the value of equity portion of remuneration paid to employees in the form of shares or other equity instruments.
3. The revaluation reserve records the value of increase in the carrying value of assets as a result of revaluation.

16. Dividends

	2021 $	2020 $
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 26%	**1,305,572**	1,305,572

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

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

SIGNIFICANT ACCOUNTING POLICY

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

No dividends have been paid or declared in respect of the 2021 financial year or the period ended 30 June 2020.

PART H - FINANCIAL RISK MANAGEMENT

17. *Financial risk management*

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

The Group holds the following financial instruments:

	2021 $	2020 $
FINANCIAL ASSETS		
Cash and cash equivalents	**3,022,311**	718,302
Trade and other receivables	**440,354**	126,030
TOTAL FINANCIAL ASSETS	**3,462,665**	844,332
FINANCIAL LIABILITIES		
Trade and other payables	**396,017**	675,829
Lease Liabilities	**318,565**	378,404
Borrowings	**4,198,573**	4,582,620
TOTAL FINANCIAL LIABILITIES	**4,913,155**	5,636,854

17.1. MARKET RISK

(I) FOREIGN EXCHANGE RISK

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

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

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

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

GROUP SENSITIVITY ANALYSIS

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

	STATEMENT OF FINANCIAL POSITION AMOUNT AUD		FOREIGN EXCHANGE RATE RISK							
			30 JUNE 2021				30 JUNE 2020			
			-10%		10%		-10%		10%	
	2021	2020	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS										
Cash	**3,022,311**	718,302	**56,219**	**-**	**(45,998)**	**-**	1,711	-	(1,400)	-
Trade and other receivables	**440,354**	126,030	**45,605**	**-**	**(37,313)**	**-**	-	-	-	-
FINANCIAL LIABILITIES										
Trade and other payables	**396,017**	675,829	**(4,558)**	**-**	**3,729**	**-**	(2,152)	-	1,761	-
Borrowings	**4,198,573**	4,582,620	**-**	**-**	**-**	**-**	(194,894)	-	159,459	-
Total Increase/(Decrease)			**97,266**	**-**	**(79,582)**	**-**	(195,335)	-	159,820	-

Trade debtors relates to sales made in JPY. Current borrowings are all held in AUD. Not shown in the table above is the exposure to exchange movements on the inter-company loans made to the Indonesian subsidiaries. The loans are held in IDR and revalued to AUD at each year end. The loan balance as at 30 June 2021 was $3,660,116 (30 June 2020: AUD$3,810,433). The inter-company loans are eliminated on consolidation.

(II) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's main interest rate risk arises from its borrowings, which are repayable by 30 September 2022 at 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.

17.2. CREDIT RISK

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

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

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

Impairment of financial assets

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

Trade receivables

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

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

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

On that basis, the loss allowance as at 30 June 2021 and 30 June 2020 was determined to be nil.

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

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

	2021 $	2020 $
TRADE RECEIVABLES		
Existing customers with no previous defaults	**417,389**	9,486

17.3. LIQUIDITY RISK

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

17.4. FINANCING ARRANGEMENTS

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

	2021 $	2020 $
Foreign currency trade loans	-	1,754,048
Overdraft facility (NAB)	**1,500,000**	1,500,000
NAB COVID-19 Loan	**197,308**	250,000
	1,697,308	3,504,048

- During the year ended 30 June 2021, the Company maintained the existing $1.5M working capital overdraft facility with the National Australia Bank (NAB). The overdraft facility will be secured by a registered company charge over the Company's Assets. As at 30 June 2021 no amount had has been drawn down on this facility, (30 June 2020: nil).
- On 27 August 2020, the Group entered into a new loan agreement with Boneyard Investments Pty Ltd (Boneyard) which replaces its Existing Loan Agreement and pursuant to which agreement, Boneyard has agreed to make a revolving loan facility available to Atlas;
  - The aggregate of all loans provided by Boneyard under the Facility will be an amount equal to $4.5M, being the $2.5M loan outstanding under the Existing Loan Agreement as well as an additional loan in the amount of $2M.
  - Repayments are scheduled equally over four tranches commencing on 31 March 2021, with the last tranche due for repayment on 30 September 2022;
  - Loans provided under the Facility will bear interest at the rate of 7.5% per annum (which is identical to the interest provisions under the Existing Loan Agreement);
  - Subject to shareholder approval, all outstanding loans and interest under the New Loan Agreement will be convertible into shares in Atlas in the event Atlas defaults on its repayment terms, with conversion being at Boneyard's option In that event, the conversion price per share will be at a 15% discount to the most recent 30 day VWAP.
- On 23 June 2020 the Company deferred a principal loan repayment from the Boneyard facility. A repayment of $1.125M originally due 31 March 2021 was split. A repayment of $500k was made on 30 June 2021, with the remaining $625k deferred until 30 October 2021. All other terms and conditions of the Varied Loan Agreement remain unchanged.
- On 9 April 2019, the Company agreed to an unsecured short-term loan of ¥200M. On 8 June 2020 the Company agreed to extend the short-term loan. A repayment of ¥70M was made on 23 June 2020. The remaining loan balance (¥130M) was due in four equal amounts during the period ending 30 June 2021 and has be paid in full. The balance of this loan at 30 June 2021 is Nil (30 June 2020: $1.75M).
- On 11 June 2020, the Company received a $250k loan from NAB. The loan is repayable over a three year period at a variable interest rate. Payments were deferred for six months.

17.5. MATURITIES OF FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	30 JUNE 2021						30 JUNE 2020					
	LESS THAN 6 MONTHS	6 - 12 MONTHS	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	TOTAL CONTRACT -UAL CASH FLOWS	CARRYING AMOUNT (ASSET)/ LIABILITIES	LESS THAN 6 MONTHS	6 - 12 MONTHS	BETWEEN 1 & 2 YEARS	BETWEEN 2 & 5 YEARS	TOTAL CONTRACT -UAL CASH FLOWS	CARRYING AMOUNT (ASSET)/ LIABILITIES
CONSOLIDATED ENTITY	$	$	$	$	$	$	$	$	$	$	$	$
NON-DERIVATIVES												
Trade payables	**396,017**	**-**	**-**	**-**	**396,017**	**396,017**	675,829	-	-	-	675,829	675,829
Borrowings	**1,799,148**	**1,174,231**	**1,225,194**	**-**	**4,198,573**	**4,198,573**	3,377,024	960,357	83,333	83,333	4,504,048	4,504,048
Lease Liabilities	**29,899**	**32,518**	**68,495**	**187,653**	**318,565**	**318,565**	181,572	124,416	20,209	52,207	378,404	378,404
TOTAL NON-DERIVATIVES	**2,225,064**	**1,206,749**	**1,293,689**	**187,653**	**4,913,155**	**4,913,155**	**4,234,426**	**1,084,774**	**103,542**	**135,540**	**5,558,281**	**5,558,281**

(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 2021 and 30 June 2020 on a recurring basis:

30 JUNE 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$	$	$	$
ASSETS				
Biological Assets	-	-	17,244,177	17,244,177
TOTAL ASSETS	**-**	**-**	**17,244,176**	**17,244,176**

30 JUNE 2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	$	$	$	$
ASSETS				
Biological Assets	-	-	12,783,728	12,783,728
TOTAL ASSETS	**-**	**-**	**12,783,728**	**12,783,728**

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

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

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

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

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

(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 2021 or 30 June 2020.

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

The following table presents the changes in level 3 instruments for the period ended 30 June 2021:

	BIOLOGICAL ASSETS	TOTAL
	$	$
OPENING BALANCE 30 JUNE 2020	**12,783,728**	**12,783,728**
Additions	**3,223,320**	**3,223,320**
Gains recognised through 'change in fair value'	**6,102,741**	**6,102,741**
Losses recognised through 'change in fair value'	**(4,875,613)**	**(4,857,613)**
CLOSING BALANCE AT 30 JUNE 2021	**17,244,176**	**17,244,176**

INPUT	2021	2020	COMMENTARY
Average selling price	**¥10,457**	¥9,413 - ¥12,383 per momme	Obtained by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen exchange rate	**¥83.12**	¥76.60: AUD 1	Based on forward Yen price per a financial institution.
Average pearl size	**0.45**	0.39	Based on technical assessment of expected harvest output, and taking into account historical actual results over the past 12 months.
Proportion of marketable grade	**37%**	35%	Based on historical data for pearl grade over the last 12 months.
Discount rate	**20%**	20%	Based on analysis of comparable primary producers.
Mortality	**Historical**	Historical	Based on historical harvest mortality rates.
Average unseeded oyster value	**$1.69**	$2.04	Based on historical independent valuation.
Costs to complete	**0.53**	$0.76	Based on historical averages of costs to complete and sell pearls per momme.

(D) 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 2021:

	2021	2021	2020	2020
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Bank Loan	**197,308**	**197,308**	250,000	250,000
Debt Financing	**4,000,000**	**4,000,000**	4,252,048	4,252,048
TOTAL NON-CURRENT BORROWING	**4,197,308**	**4,197,308**	4,502,048	4,502,048

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

PART I - UNRECOGNISED ITEMS

18. Events occurring after the reporting period

Unfortunately, at report date, the impact of the Coronavirus (COVID-19) pandemic is ongoing. Continuing restrictions on travel, including commercial flight availability, all place pressure on the Company's ability to move people and pearls and is highly dependent upon measures imposed by each country's Government. 'Quarantine' standard operating procedures have been developed to ensure shell transports are not impacted by Government restrictions. Management continue to closely monitor the situation and proactively respond to minimise business disruption.

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

19. Commitments

Atlas Pearls had two bank guarantees with the National Bank of Australia (NAB) for a total of AUD$129,696 at 30 June 2021 (30 June 2020: $100,000). These guarantees have been taken out to secure the rental of the Atlas Pearls corporate offices in Claremont, Western Australia and Subiaco, Western Australia.

The Claremont office lease guarantee has been extended to 31 December 2021 to faciliate make-good on the premise post lease end date as requested by the landlord.

20. Contingencies

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

The Indonesia Directorate of Taxes (IDGT) has instructed the Indonesian Tax Authority (ITO) to conduct a tax audit of the 2016/17 financial year. The audit is ongoing and at this stage any identified misstatements have been immaterial. The Group does not foresee a material outcome and as such no liability has been recognised in the accounts for the 2020/21 financial year.

PART J - OTHER

21. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 25.2.

NAME OF ENTITY	CLASS OF SHARES	PERCENTAGE OWNED 30 JUNE 2021	PERCENTAGE OWNED 30 JUNE 2020	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
P.T Disthi Mutiara Suci	Ord	100%	100%	Indonesia
P.T Cahaya Bali	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia

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

22. Related party transactions

(A) SUBSIDIARIES

Interests in subsidiaries are set out in note 21.

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

Detailed remuneration disclosures are provided in section 14.2 of the remuneration report.

	2021 $	2020 $
Short-term employment benefits	**679,610**	795,921
Post-employment benefits	**32,247**	37,448
Share based compensation	**76**	18,262
	711,933	851,631

TRANSACTIONS WITH OTHER RELATED PARTIES

	2021 $	2020 $
Director fees payable	**3,750**	3,333

In addition to the above, the Group incurs expatriate medical insurance expenses of $9,133 (30 June 2020 : $6,978)

(D) LOANS FROM RELATED PARTIES

Refer to Note 17.4 for detailed disclosures on financing arrangements. Loans detailed below are accounted for under current and non-current liabilities (see note 13).

	2021 $	2020 $
Beginning of the year	**2,546,747**	2,500,000
Loans advanced from	**2,000,000**	-
Principal repayments	**(500,000)**	-
Interest charged	**299,795**	188,014
Interest paid	**(346,541)**	(141,267)
END OF YEAR	**4,000,000**	2,546,747

(E) CONTINGENT LIABILITIES RELATING TO JOINT VENTURES

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

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

23. *Parent entity financial information*

(A) SUMMARY FINANCIAL INFORMATION

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

	2021 $	2020 $
STATEMENT OF FINANCIAL POSITION		
Current assets	**5,211,364**	3,827,896
Total assets	**20,249,956**	17,070,600
Current liabilities	**6,217,245**	7,752,617
Total liabilities	**5,657,854**	5,994,931
SHAREHOLDERS' EQUITY		
Issued capital	**36,857,417**	36,857,417
RESERVES		
Share-based payment reserve	**911,086**	911,218
Accumulated losses	**(26,692,966)**	(20,862,237)
	11,075,536	16,906,398
PROFIT/(LOSS) FOR THE PERIOD	**3,516,566**	(5,830,729)
TOTAL COMPREHENSIVE LOSS	**3,516,566**	(5,830,729)

(B) CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2021 (30 June 2020: Nil). The parent entity did not provide financial guarantees during the year (30 June 2020: Nil).

SIGNIFICANT ACCOUNTING POLICY

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

Investments in subsidiaries

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

Share-based payments

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

24. *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	30 JUNE 2021 $	30 JUNE 2020 $
BDO AUSTRALIAN FIRM		
Audit and review of financial reports	**88,940**	87,100
BDO INDONESIAN FIRM		
Audit and review of financial reports	**41,411**	43,955
Total remuneration for audit services	**130,351**	131,055
Other Services	**3,954**	3,725
Independent experts report	**19,673**	-
Total remuneration for other services	**23,627**	3,725

25. Accounting policies

25.1. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

25.2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls as at 30 June 2021 and the results of its subsidiaries for the period then ended. Atlas Pearls and its subsidiaries together are referred to in this financial statement as the consolidated entity.

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

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

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

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

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

25.3. FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) TRANSACTIONS AND BALANCES

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

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

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

(C) GROUP COMPANIES

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

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

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

25.4. COMPARATIVE FIGURES

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

25.5. IMPAIRMENT OF ASSETS

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

25.6. EMPLOYEE BENEFITS

SHORT-TERM OBLIGATION

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

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

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

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

25.7. PROVISIONS

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

25.8. BORROWING COSTS

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

25.9. FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

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

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

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

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

IMPAIRMENT

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

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The loss allowance calculated for 30 June 2020 is $nil due to past history with Customers who have never previously defaulted on amounts due.

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

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

25.10. INCOME TAX

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

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

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

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

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

25.11 LEASES LIABILITIES

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

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

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

25.12 RIGHT OF USE ASSETS

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

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

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

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

25.13 TRADE RECEIVABLES

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

(a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:

   i give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of the performance for the year ended on that date; and

   ii comply with Accounting Standards, and the *Corporations Act 2001* and other mandatory professional reporting requirements.

(b) the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

(c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

(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 year ended 30 June 2021 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
31 August 2021

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 19 August 2021.

(A) DISTRIBUTION SCHEDULE AND NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 19 AUGUST 2021

	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)	136	386	273	773	346	1,914

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 19 August 2021 is 1,016.

(B) 20 LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 19 AUGUST 2021

The names of the twenty largest holders of fully paid ordinary shares (ASX code: ATP) as at 19 August 2021 are:

RANK	NAME	SHARES	% OF SHARES
1.	BONEYARD INVESTMENTS PTY LTD	54,548,882	12.75
2.	CHEMCO SUPERANNUATION FUND PTY LTD <CHEMCO SUPER FUND NO 2 A/C>	32,400,000	7.57
3.	CITICORP NOMINEES PTY LIMITED	28,514,794	6.66
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,566,563	5.51
5.	SP & K BIRKBECK HOLDINGS PTY LTD <SP & K BIRKBECK S/F A/C>	18,810,368	4.40
6.	JINGIE INVESTMENTS PTY LTD	17,880,240	4.18
7.	ABERMAC PTY LTD	17,833,333	4.17
8.	WESTWOOD PROPERTIES PTY LTD	8,000,000	1.87
9.	RAINTREE PEARLS & PERFUMES PTY LTD	5,431,019	1.27
10.	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	5,211,109	1.22
11.	FIVE TALENTS LIMITED	5,120,000	1.20
12.	CHEMBANK PTY LIMITED <CABAC SUPER FUND A/C>	5,000,000	1.17
13.	MORCKSTOW PTY LTD	5,000,000	1.17
14.	MR WESLEY RUTHERFORD + MRS SIAN RUTHERFORD <RUTHERFORD FAMILY S/F A/C>	5,000,000	1.17
15.	COAKLEY PASTORAL CO PTY LTD <TIM COAKLEY SUPER FUND A/C>	4,744,717	1.11
16.	MR PAUL MICHAEL BUTCHER	4,067,208	0.95
17.	MISS KRISTIE BIRKBECK	3,818,536	0.89
18.	QUEENSRIDGE INVESTMENTS PTY LTD <GLEESON SUPER FUND A/C>	3,549,072	0.83
19.	MR TIMOTHY JAMES MARTIN	3,540,883	0.83
20.	MS JENNIFER MICHELLE ROUGHAN	3,360,000	0.79
	TOTAL	**255,396,724**	**59.69**

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

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

NAME	SHARES	% VOTING POWER	DATE OF NOTICE
Boneyard Investments Pty Ltd & Associates *	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

There are no unquoted securities on issue as 19 August 2021.

(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 19 August 2021.

(F) RESTRICTED SECURITIES AS AT 19 AUGUST 2021

There were no restricted securities on issue as at 19 August 2021.

(G) VOTING RIGHTS

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

(H) ON-MARKET BUY-BACK

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

(I) CORPORATE GOVERNANCE

The Board of Atlas Pearls Ltd is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4,10,3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at https://www.atlaspearls.com.au/corporate-governance-statement

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INDEPENDENT AUDITOR'S REPORT

To the members of Atlas Pearls Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Atlas Pearls Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty of going concern

We draw attention to Note 1.3 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.

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*
The Group's biological assets, as disclosed in note 4 to the financial report, was a key audit matter as the calculation of the fair value of the oysters requires significant estimates and judgements by management. The Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment. The Group have valued the biological assets at fair value less costs to sell. The valuation requires management's judgement in relation to estimating the future selling prices, exchange rates, pearl size, portion of marketable grade, mortality, costs to complete and discount rate.	Our audit procedures included, but were not limited to: • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standards; • In conjunction with our valuation specialist, reviewing the accuracy and integrity of management's fair value model and the discount rate used by management; • Counting a sample of oysters on hand at reporting date and agreeing this to the fair value model; • Assessing the key inputs contained within the fair value model, including the future selling prices, incorporating any potential impact of the COVID-19 pandemic, exchange rates, pearl size, portion of marketable grade, mortality and costs to complete; • Performing a sensitivity analysis of the key inputs including discount rate, foreign exchange rate, future selling price, pearl size and portion of marketable grade as these are the key assumptions against which the model is most sensitive to; and • Evaluating the adequacy of the related disclosure in Note 4 to the financial report.

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Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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 15 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Atlas Pearls Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

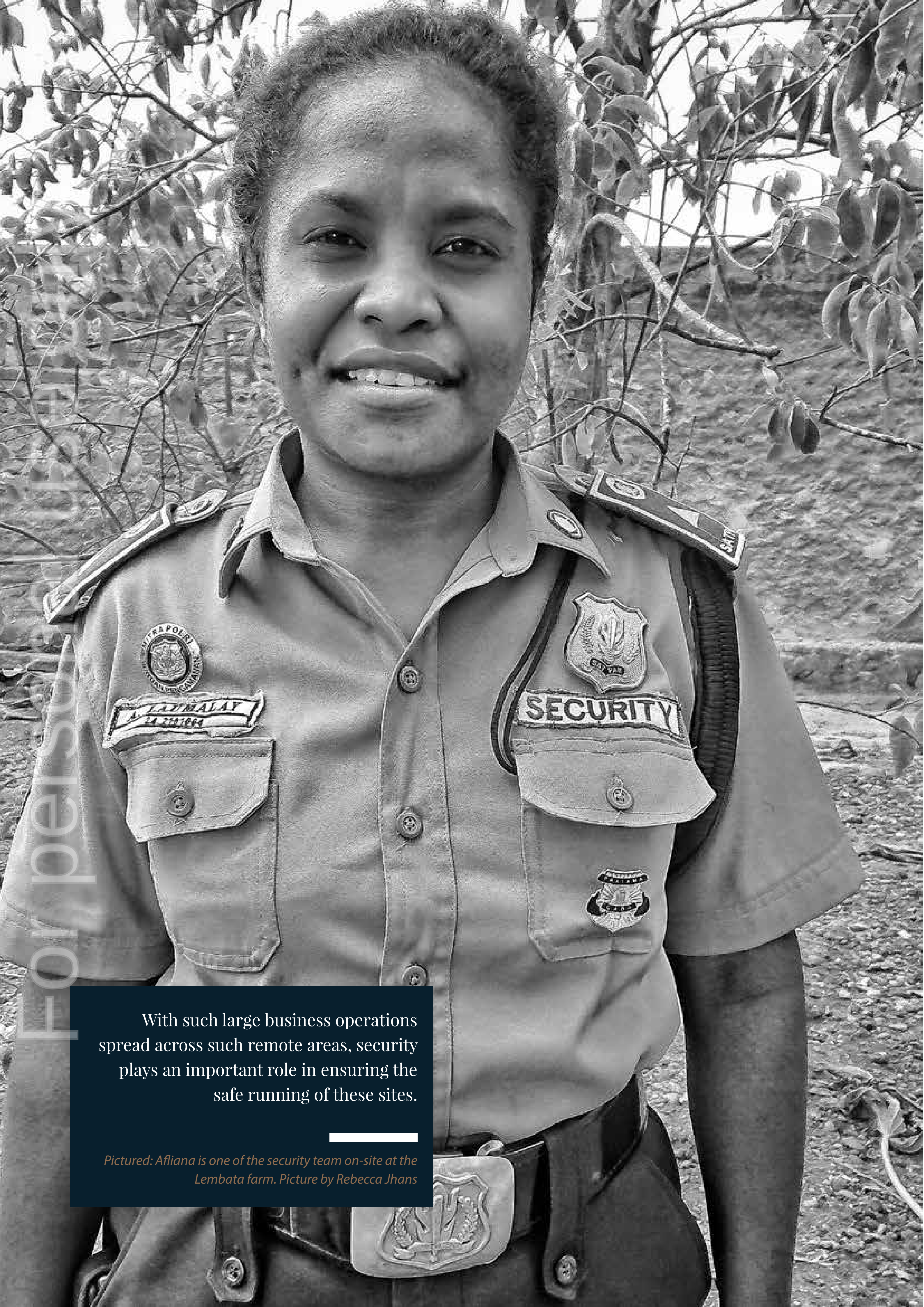
BDO

J Prue

Jarrad Prue

Director

Perth, 31 August 2021



With such large business operations spread across such remote areas, security plays an important role in ensuring the safe running of these sites.

Pictured: Afliana is one of the security team on-site at the Lembata farm. Picture by Rebecca Jhans

ATLAS
PEARLS

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FARM SITES

EAST JAVA, BANYUBIRU

NORTH BALI, PENYABANGAN

FLORES, LABUAN BAJO, PUNGU ISLAND

EAST NUSA TENGGARA, WEST LEMBATA

EAST NUSA TENGGARA, LEMBATA BAY

EAST NUSA TENGGARA, ALOR BAY

RAJA AMPAT, ALYUI BAY

FIND US ON