

ATLAS

PEARLS AND PERFUMES

20 October 2016

Q1 Company Operational Update

Atlas Pearls and Perfumes Ltd (ASX:ATP) ("Atlas" or "the Company") is pleased to advise that thanks to a successful invitation-only private sale process in Hong Kong, first quarter trading revenues have delivered in line with expectations of \$1.4M AUD.

Also during Q1, Atlas is pleased to announce the recent harvest of the first production group seeded in 2014/15 under the Company's redefined shell husbandry processes. The outcome has been one of the Company's best quality production groups to date, with significantly higher volumes of top quality pearls.

"Every harvest is a magical moment, but it gets really special when it comes as a result of a long and careful quality improvement process" said Pierre Fallourd, Atlas Managing Director. "While it is too early to judge the long term effects of these process improvements yet, the outcome we have seen is encouraging and humbling particularly because we work with nature and rely heavily on its goodwill."

Based on this improved profile of goods, the Company held its first auction of the new financial year in Kobe, Japan on October 5 & 6. The Company achieved its sales target of \$2.3M AUD in a softening market, without the sale of the best quality pearls, electing to withdraw these lots from sale at auction in favour of private offering to select clients over the coming months.

"The changes in our harvest profile, particularly in respect to the recent harvest, is creating opportunities to further develop the Company's relationship with key clients at different levels of the supply chain, achieving better value for our premium product" said Tim Jones, Atlas Pearls Distribution Manager. "We elected to withdraw our best pearls from our Kobe auction, because the bids related to those lots were not reflective of the quality of the merchandise in our view. Pearls of superior quality are rare and difficult to source, so they command a higher price and should be presented to the right customers at the right time. Holding prices for premium product is in the long-term interest of both ourselves and our customers," he added.

Atlas have also begun collecting and setting aside its very best single pearls over the past year. These unique gems not only feature exceptional features or virtues, namely shape/ size/ shade/ surface/ and shine, but also a more elusive virtue, an exceptional coating or nacre thickness around the nuclei implanted to trigger the pearl formation. The latest addition to this private collection is an 18.97mm round pearl featuring an outstanding 6mm coating or 90% volume ratio of nacre against nuclei that rivals exceptionally rare naturally occurring gems.

Atlas' next private pearl auction is scheduled in December in Kobe Japan. Until then, Atlas' range of jewellery is available online and instore in our urban showrooms of Perth-Australia, Seminyak-Indonesia, as well as our farm store in North Bali.

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As part of its efforts to further engage, educate and entertain its customers, Atlas has signed a collaboration with Aurelio Costarella, with the WA Fashion icon designing a new jewellery collection for Atlas launched on 15 October. Atlas has also aligned itself with other high profile WA brands including the WA Opera and WA Ballet. In Indonesia, the company is upgrading its industrial tourism facilities, extending its “People behind the Pearl” moving exhibit in Bali, and participating in the next Indonesian Pearl Festival in Jakarta during November.

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ABOUT ATLAS PEARLS AND PERFUMES LTD

Atlas Pearls and Perfumes (“Atlas”) is an Australian based pearling and perfume business established in 1992. Atlas has earned an enviable reputation as a world leading pearl producer of “nature’s most precious gift”, the South Sea pearl, specialising in highly sought after white and silver pearls. Atlas operates pearl farms spread across the Indonesian archipelago, including Bali, Flores, and West Papua. Atlas is a fully integrated pearling business. The Company has its own high quality grading and loose pearl distribution business, a jewellery manufacturing capability and sells direct to customers through wholesale partners and via its retail outlets. In 2012, the Company expanded its operations into perfumes and is currently developing a range of propriety products, which include pearl powder (cosmetics and nutraceuticals), pearl proteins (cosmetics), pearl volatiles and boronia (perfumes) for supply into the global luxury supply chain.

For more information please visit: www.atlaspearlsandperfumes.com.au

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