



CHARLES & COLVARD™

Dear valued shareholders,

My annual letter to you is often a time for reflection. As I look back on the fiscal year ended June 30, 2022 (“Fiscal 2022”), I am exceptionally proud of the Charles & Colvard, Ltd. team. We worked extremely hard to deliver a record-setting year—driving \$43.1 million in revenue, which was the highest for any twelve-month period ending June 30th. Through our commitment to remaining good stewards of our company’s resources, Charles & Colvard, Ltd. was able to fortify our inventory position to \$33.5 million, maintain a healthy working capital position of \$29.1 million and preserve our total cash position of \$21.2 million.

Our team continued to execute on our core strategies during Fiscal 2022. We expanded our brand presence with an out-of-home marketing campaign in NYC for holiday, successful execution of multiple Instagram sweepstakes initiatives, and design and creation of U.S. Soccer 2015 and 2019 Women’s World Cup Champions rings. We announced the expansion of our wholesale gemstone distribution with Cooksongold in the UK and surrounding areas and the grand opening of a wholesale distribution center in Panyu, China. Our Forever One™ moissanite and Caydia® lab grown diamond products were featured on ABC’s *The Bachelorette* series and Steve Harvey’s *Steve On Watch* digital broadcast program. We hosted a successful press event in NYC, engaged with multiple influencers across several social platforms and introduced our Moissanite Outlet assortment to Drop Ship Retail partners and on Amazon. We have been pleased with the growth of our second owned web property: moissaniteoutlet.com during its first full year of existence.

Our state-of-the-art broadcast studio and our first Signature Showroom retail store, both located at our headquarters location and nearing completion, along with our successful launch of an interactive shopping platform, have all been designed to enhance customer engagement.

Fiscal 2022 brought significant product development initiatives, including introduction of our Zodiac medallion collection, launch of our pavé lab grown diamond collection, expansion of our patented Signature Collection styles, including our Signature Star Series, and introduction of flexible bangles and tennis necklaces in both Forever One™ moissanite and Caydia® lab grown diamond.

In support of sustained, disciplined growth, we continued to use a data-driven approach to target high intent shoppers, thus enabling a stronger return on our digital advertising investments. Online Channels revenue continued to grow, most notably on our charlesandcolvard.com website, which experienced a 24% increase over the prior fiscal year.

In Fiscal 2022, we incorporated a more diverse professional consultant base into our virtual consultation offering in support of our diversity, equity and inclusivity initiatives. For Fiscal 2022, our recycled precious metals utilization was nearly 100%, and we continue to strive for full utilization. Our Board of Directors includes two women, as we strive to obtain diverse and broad perspectives and backgrounds within our leadership.

As we look forward, our strategic initiatives for fiscal year 2023 include: strengthening our brand presence, increasing awareness through our marketing strategy, enhancing and expanding our product assortment and broadening our footprint. We feel that investment in initiatives to drive awareness to our house brand, our product brands Forever One™ and Caydia®, and our transactional websites charlesandcolvard.com and moissaniteoutlet.com remain critical under the current economic and market environment.

On behalf of the entire Charles & Colvard, Ltd. team, I would like to thank you for your continued support. We remain steadfast in our commitment to showcasing our unique value proposition to today's conscious consumer, as we continue to feature stunning *Made, Not Mined*[™] gemstones set in responsibly sourced and, when possible, recycled precious metals, while offering the highest quality materials and craftsmanship.

A handwritten signature in black ink, appearing to read 'Don O'Connell', with a large, stylized flourish at the end.

Don O'Connell
President & CEO



Cautionary Note:

This document contains forward-looking statements relating to the company's business. Our business is subject to numerous risks and uncertainties, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements. We refer you to our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 for a discussion of such risks and uncertainties.