

**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
**ABN 88 092 266 067**



**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**  
**FINANCIAL YEAR ENDED 30 JUNE 2009**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Current reporting period: 30 June 2009  
Previous reporting period 30 June 2008

<b>OPERATING PERFORMANCE</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>Change</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$,000</b>	<b>%</b>
Revenue from ordinary activities	8,916	6,913	2,003	Up 28.97%
Profit/(Loss) from ordinary activities after tax attributable to members	3,126	10,960	(7,834)	Down 71.48%
Profit / Loss) for the year attributable to members	3,126	10,960	(7,834)	Down 71.48%

**DIVIDEND INFORMATION**

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2009.

**COMMENTARY ON RESULTS FOR THE YEAR ENDED 30 JUNE 2009**

FY 2009 was another important year in the Company's development as it works towards maturation.

**Revenue from Ordinary Activities**

Operationally, Arafura Pearls harvested the last of its 'developmental' harvests during the first quarter of FY 2009. The Company made the strategic decision to begin vertical integration and build its own sales and distribution capability in the wholesale pearl marketplace. With volume required to produce marketable parcels, Arafura Pearls decided to combine the FY 2009 harvest with its 'watershed' harvest currently being completed and to be marketed in FY 2010. Accordingly, pearl sales were down in FY 2009 to \$0.9m on the prior corresponding periods (pcp) amount of \$1.9m. This is expected to increase to \$10m+ in FY 2010. Beagle Bay operations and harvest commenced in June 2009, and accordingly the value of the pearls harvested during this period is included in the Pearl Stocks Inventories valuation included in the accounts.

The Company established another Managed Investment Scheme (MIS) in FY 2009 after the test case went in the industry's favour in Dec 2008. In a difficult environment, the Company increased applications in its annual MIS to \$5.5m from \$4.3m in the pcp. This was the main driver of an increase in revenue from 'ordinary activities' which was up 29% in FY 2009 on the pcp.

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The Australian Taxation Office has confirmed the 50% tax break deduction applied to the 2009 MIS for small business entities effectively entitling eligible growers to a deduction equivalent to 142% of their investment (ex GST) upfront. This is expected to be available until 31 Dec 2009 and should drive interest in the 2010 MIS.

**Profit from Ordinary Activities**

The 2009 profit of \$3.126m was down from \$10.960m in the pcp.

The main driver of the FY 2009 profit result was the non-cash item of a smaller net increase in the shell/pearls valuation of \$11.893m, down from the pcp's net increase of \$22.325m. This smaller increase reflects the continued maturation of Arafura's operations as growth in virgin shell numbers slows as the Company works towards reaching full production. At full production, the annual increase in shell value should largely be netted out by the corresponding value of the crop being harvested and sold each year.

**Corporate Activities**

Arafura Pearls conducted a 1 for 1 rights issue at \$.05 during FY 2009 to assist with the financing of the Companies continued expansion in production. Hence issued capital increased to 229 million shares on issue up from 131 million shares in the pcp. This contributed to a reduction in net tangible assets per security to \$0.22 per security down from \$0.31 in the pcp (even though total net tangible assets increased to \$49.3m up from \$40.1m in the pcp). It contributed to a reduction in earnings per share to \$0.02 from \$0.09 in the pcp.

**Balance Sheet**

Net assets increased to \$54.8m from \$46.5m in the pcp. Receivables in current assets increased to \$5.6m in FY 2009 from \$1.4m in the pcp. The main driver of this increase was the offering of a terms payment facility for investors in the 2009 MIS. This allows growers to pay for their investment in instalments over a 10 month period.

**OTHER INFORMATION**

**NET TANGIBLE ASSETS PER SECURITY**

	<b>Financial Year ended 30 June 2009</b>	<b>Financial Year ended 30 June 2008</b>
Net tangible assets	\$49,343,008	\$40,060,552
Number of shares on issue at reporting date	229,478,842	130,976,052
Net tangible assets per security	\$0.22	\$0.31

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**STATEMENT OF RETAINED EARNINGS**

	Consolidated		Parent Entity	
	Current period \$	Previous period \$	Current period \$	Previous period \$
Balance 1 July 2008	7,199,093	(3,761,553)	7,353,544	(3,715,326)
Net profit for the year	3,126,056	10,960,646	3,185,896	11,068,870
Dividends paid	-	-	-	-
Balance 30 June 2009	10,325,149	7,199,093	10,539,440	7,353,544

**CONTROL GAINED OR LOST OVER ENTITIES**

The company did not gain or lose control of any entities during the year ended 30 June 2009.

**FOREIGN ENTITIES**

Not applicable

**ASSOCIATES AND JOINT VENTURES**

At the end of the 2007 financial year, Arafura Pearls entered into a joint venture arrangement with Arrow Pearl Co Pty Ltd and associates to manage its pearling operations at Beagle Bay in the Dampier Peninsula in WA for an initial term of 2.5 years, with options at the company's election to extend the arrangement for a further 12.5 years.

The Beagle Bay operation is one of Western Australia's well known pearl farms, having produced quality pearl harvests since the early 1980's. The farm has 15,000 annual wild shell quota allowing approximately 18,000 shell to be put into production during the 2009 fiscal year. The land and sea base structure is significant, and capable of handling much higher production and grow out shell numbers.

The current Beagle Bay harvest has produced over 36,000 pearls. Farm grades showed that the average size for saleable product was approximately 1 momme per pearl (3.75 grams or 13.5mm) with nearly 40% being in the highest value shape category (round shape pearls). Harvesting to date has produced more than 1,000 exceptionally large pieces (16 mm+ in size) including 2 rare good quality 21 mm round pearls.

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**INCOME STATEMENT**

	Note	Consolidated		Parent Entity	
		30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
Sales revenue	2	8,109,713	6,514,971	8,109,713	6,514,971
Other revenue from ordinary activities	2	806,764	398,104	859,879	520,191
<b>Total Revenue</b>		<b>8,916,477</b>	<b>6,913,075</b>	<b>8,969,592</b>	<b>7,035,163</b>
Net increase in net market value of shells/pearls		11,893,114	22,325,412	11,893,114	22,325,412
Purchases		(87,047)	(367,885)	(87,047)	(367,885)
<b>Gross Profit</b>		<b>20,722,543</b>	<b>28,870,602</b>	<b>20,775,658</b>	<b>28,992,690</b>
<b>OTHER OPERATING EXPENSES</b>					
Employee expenses		(6,794,049)	(6,061,428)	(6,794,049)	(6,061,428)
Depreciation and amortisation expenses	3	(1,407,359)	(1,123,456)	(1,387,359)	(1,103,456)
Borrowing expenses	3	(830,925)	(361,437)	(830,925)	(361,437)
Consulting fees		(864,067)	(905,120)	(864,067)	(905,120)
Boats & charter expenses		(552,205)	(807,499)	(552,205)	(807,499)
Fuel expenses		(807,852)	(627,708)	(807,852)	(627,708)
Freight expenses		(186,422)	(216,787)	(186,422)	(216,787)
Insurances		(817,977)	(646,149)	(817,977)	(646,149)
Quota Lease		(859,797)	(1,074,132)	(859,797)	(1,074,132)
Stores expenses		(347,383)	(337,462)	(347,383)	(337,462)
Travel and accommodation expenses		(562,930)	(541,740)	(562,930)	(541,740)
ASSP direct expenses		(367,219)	(383,647)	(367,219)	(383,647)
Other expenses from operating activities		(869,004)	(1,043,135)	(866,418)	(1,037,304)
<b>Total operating expenses</b>		<b>(15,267,191)</b>	<b>(14,129,700)</b>	<b>(15,244,605)</b>	<b>(14,103,869)</b>
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>		<b>5,455,353</b>	<b>14,740,902</b>	<b>5,531,053</b>	<b>14,888,821</b>
Profit/(Loss) on sale of assets		136	(17,136)	136	(17,136)
Income tax relating to ordinary activities	4	(2,329,433)	(3,763,121)	(2,345,293)	(3,802,815)
<b>NET PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>		<b>3,126,056</b>	<b>10,960,646</b>	<b>3,185,896</b>	<b>11,068,870</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>					
Basic earnings per share		\$0.02	\$0.09	\$0.02	\$0.09

Diluted earnings per share are not shown because potential ordinary shares on issue at the comparative balance dates are not considered dilutive.

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**BALANCE SHEET**

	Note	Consolidated		Parent Entity	
		30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>CURRENT ASSETS</b>					
Cash assets	5	1,411,069	1,175,049	1,384,482	1,149,278
Receivables	6	5,585,542	1,353,106	5,580,073	1,350,736
Biological Assets	9	6,062,957	3,621,102	6,062,957	3,621,102
Inventories	7	7,386,355	457,064	7,386,355	457,064
<b>TOTAL CURRENT ASSETS</b>		<b>20,445,922</b>	<b>6,606,321</b>	<b>20,413,867</b>	<b>6,578,180</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	-	-	160,897	101,283
Biological Assets	9	43,936,386	41,342,229	43,936,386	41,342,229
Other financial assets	10	-	-	501,004	501,004
Property, plant and equipment	11	7,448,551	5,112,241	7,448,551	5,112,241
Intangible assets	12	5,646,294	5,976,235	5,286,294	5,596,235
Other	13	625,904	652,509	625,904	652,509
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,657,136</b>	<b>53,083,215</b>	<b>57,959,036</b>	<b>53,305,501</b>
<b>TOTAL ASSETS</b>		<b>78,103,058</b>	<b>59,689,536</b>	<b>78,372,904</b>	<b>59,883,681</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	4,669,336	3,492,884	4,669,336	3,492,884
Interest bearing liabilities	16	9,045,487	306,822	9,045,487	306,822
Provisions	17	264,297	219,748	264,297	219,748
Other	15	675,180	2,148,300	675,180	2,148,300
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,654,299</b>	<b>6,167,755</b>	<b>14,654,299</b>	<b>6,167,755</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest bearing liabilities	18	2,564,581	2,572,694	2,564,581	2,572,694
Other	19	-	675,180	-	675,180
Deferred Tax Liabilities	4	6,092,554	3,763,121	6,148,108	3,802,815
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,657,135</b>	<b>7,010,995</b>	<b>8,712,689</b>	<b>7,050,689</b>
<b>TOTAL LIABILITIES</b>		<b>23,311,434</b>	<b>13,178,750</b>	<b>23,366,988</b>	<b>13,218,444</b>
<b>NET ASSETS</b>		<b>54,791,625</b>	<b>46,510,786</b>	<b>55,005,916</b>	<b>46,665,237</b>
<b>EQUITY</b>					
Contributed equity	20	44,020,922	39,101,333	44,020,922	39,101,333
Reserves		445,554	210,361	445,554	210,361
Retained Earnings	21	10,325,149	7,199,093	10,539,440	7,353,544
<b>TOTAL EQUITY</b>		<b>54,791,625</b>	<b>46,510,786</b>	<b>55,005,916</b>	<b>46,665,237</b>

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**STATEMENT OF CHANGES IN EQUITY**

<b>Consolidated</b>	\$	\$	\$	\$
	<b>Share Capital</b>		<b>Retained Earnings / (Accumulated Losses)</b>	<b>Total</b>
<b>Note</b>	<b>Ordinary</b>	<b>Reserves</b>		
<b>Balance at 1 July 2007</b>	37,335,583	78,480	(3,761,553)	33,652,510
Shares issued during the period	1,765,750	-	-	1,765,750
Equity Settled Transactions	-	131,881	-	131,881
Profit attributable to members of parent entity	-	-	10,960,646	10,960,646
<b>Balance at 30 June 2008</b>	<b>39,101,333</b>	<b>210,361</b>	<b>7,199,093</b>	<b>46,510,787</b>
<b>Balance at 1 July 2008</b>	39,101,333	210,361	7,199,093	46,510,787
Shares issued during the period	4,925,590	-	-	4,925,590
Equity Settled Transactions	(6,000)	235,193	-	229,193
Profit attributable to members of parent entity	-	-	3,126,056	3,126,056
<b>Balance at 30 June 2009</b>	<b>44,020,923</b>	<b>445,553</b>	<b>10,325,149</b>	<b>54,791,625</b>

**Parent Entity**

	\$	\$	\$	\$
	<b>Share Capital</b>		<b>Retained Earnings / (Accumulated Losses)</b>	<b>Total</b>
<b>Note</b>	<b>Ordinary</b>	<b>Reserves</b>		
<b>Balance at 1 July 2007</b>	37,335,583	78,480	(3,715,326)	33,698,737
Shares issued during the period	1,765,750	-	-	1,765,750
Equity Settled Transactions	-	131,881	-	131,881
Profit attributable to members of parent entity	-	-	11,068,870	11,068,870
<b>Balance at 30 June 2008</b>	<b>39,101,333</b>	<b>210,361</b>	<b>7,353,544</b>	<b>46,665,238</b>
<b>Balance at 1 July 2008</b>	39,101,333	210,361	7,353,544	46,665,238
Shares issued during the period	4,926,590	-	-	4,926,590
Equity Settled Transactions	(6,000)	235,193	-	229,193
Profit attributable to members of parent entity	-	-	3,185,896	3,185,896
<b>Balance at 30 June 2009</b>	<b>44,020,923</b>	<b>445,553</b>	<b>10,593,440</b>	<b>55,005,917</b>

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**STATEMENT OF CASH FLOWS**

	Note	Consolidated		Parent Entity	
		30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>Cash flows from operating activities</b>					
Receipts From customers		2,352,885	4,617,092	2,407,565	4,740,651
Receipts – deferred Income		-	1,350,360	-	1,350,360
Payments to suppliers and employees		(11,814,706)	(12,739,033)	(11,809,070)	(12,737,373)
Interest received		30,602	116,087	29,037	114,615
Income Taxes Paid		-	(12,500)	-	-
Borrowing costs		(830,973)	(361,447)	(830,925)	(361,437)
<b>Net cash outflow from operating activities</b>	22	(10,262,192)	(7,029,441)	(10,203,393)	(6,893,184)
<b>Cash flows from investing activities</b>					
Payments for property plant and equipment		(3,151,930)	(1,426,762)	(3,151,930)	(1,426,762)
Payments for Intangibles		-	-	-	-
<b>Net cash outflow from investing activities</b>		(3,151,930)	(1,426,762)	(3,151,930)	(1,426,762)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		3,219,000	841,385	3,219,000	841,385
Repayment of borrowings		(16,143)	(14,953)	(16,143)	(14,953)
Repayments under hire purchase agreements		(426,101)	(273,246)	(426,101)	(273,246)
Funds advanced to subsidiaries		-	(559)	(59,614)	(106,610)
Proceeds from share issues		4,919,590	1,765,750	4,919,590	1,765,750
<b>Net cash inflows from financing activities</b>		7,696,345	2,318,377	7,636,732	2,212,326
<b>Net increase (decrease) in cash held</b>		(5,717,777)	(6,137,825)	(5,718,592)	(6,107,619)
Cash at the beginning of the financial year	5	1,175,049	7,312,875	1,149,278	7,256,898
<b>Cash at the end of the financial year</b>	5 a)	(4,542,727)	1,175,049	(4,569,313)	1,149,278

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	Consolidated		Parent Entity	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>				
Revenues from sales of pearls & pearl shell	857,246	1,897,293	857,246	1,897,293
ASSP Management Fees	7,252,466	4,617,678	7,252,466	4,617,678
	<u>8,109,712</u>	<u>6,514,971</u>	<u>8,109,712</u>	<u>6,514,971</u>
Other Revenues				
- Interest received	30,602	116,087	29,037	114,615
- Rebate and Subsidies	192,284	108,213	192,284	108,213
- Management & Service Fees	18,777	-	73,457	123,559
- Insurance recoveries	233,842	64,405	233,842	64,405
- Miscellaneous Income	298,564	75,783	298,564	75,783
- Foreign exchange gain(loss)	32,695	33,616	32,695	33,616
Total Other Revenues	<u>806,764</u>	<u>398,104</u>	<u>859,879</u>	<u>520,191</u>
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	<u>8,916,476</u>	<u>6,913,075</u>	<u>8,969,591</u>	<u>7,035,163</u>

**3. PROFIT (LOSS) FROM ORDINARY ACTIVITIES**

The profit (loss) from ordinary activities before income tax has been determined after charging the following items:

Borrowing costs	830,925	361,437	830,925	361,437
Depreciation of property, plant and equipment	835,215	656,425	835,215	656,425
Amortisation of capitalised leased site	7,016	7,016	7,016	7,016
Amortisation of intangible assets	329,940	328,134	309,940	308,134
Amortisation of Options	235,193	131,881	235,193	131,881
Remuneration of Auditor				
- Audit and Review	51,320	55,185	51,320	55,185

**4. INCOME TAX EXPENSE**

Income tax expense is \$2,329,433 for the year ended 30 June 2009 (30 June 2008: \$3,763,121). The Consolidated Entity has not elected to tax consolidate the group. The deferred tax asset attributable to tax losses arising in the parent entity has been brought to account as at 30 June 2009, and has been offset against the deferred tax liability that the income tax expense relates to.

At balance date the Consolidated Entity has \$15,382,366 of prior year Australian sourced income tax losses that are available for recoupment and a current year tax loss of \$3,583,568.

	Consolidated		Parent Entity	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>Recognised in the Income Statement</b>				
<i>in Australian dollars</i>				
<b>Current Tax Expense</b>				
Current Year	-	-	-	-
Adjustments for prior years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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	Consolidated		Parent Entity	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>Deferred Tax Expense</b>				
Origination and reversal of temporary timing differences	639,772	(971,799)	640,000	(971,675)
Inventory Valuation	2,763,781	9,349,507	2,763,781	9,349,507
Benefit of year tax losses recognised	(1,074,347)	(4,614,710)	(1,058,487)	(4,575,016)
Benefit of tax losses not recognised	228	124	-	-
	<u>2,329,433</u>	<u>3,763,121</u>	<u>2,345,293</u>	<u>3,802,816</u>
Total income tax expense in Income Statement	2,329,433	3,763,121	2,345,293	3,802,816

**Numerical reconciliation between income tax expense and pre-tax net profit**

*In Australian dollars*

Profit before tax	5,455,489	14,723,766	5,531,189	14,871,685
Income tax expense using domestic tax rate (30%)	1,636,647	4,417,130	1,659,357	4,461,505
Add tax effect of:				
- Permanent differences	107,391	103,847	101,344	97,847
- Effect of tax losses derecognised / (recognised)	228	124	-	-
- Timing differences	585,168	(757,979)	584,545	(756,536)
- Prior years FITB now recognised	-	936,881	-	936,159
Less tax effect of:				
- FITB not recognised	-	-	-	-
	<u>2,329,433</u>	<u>4,700,003</u>	<u>2,345,293</u>	<u>4,738,974</u>
Under/(Over) provision in prior years	-	(936,881)	-	(936,159)
Income tax expense on pre-tax net profit	<u>2,329,433</u>	<u>3,763,121</u>	<u>2,345,293</u>	<u>3,802,816</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities payable on taxable profits under Australian tax law.

**Recognised Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<i>In Australian dollars</i>						
Accrued Income	884	-	-	-	(884)	-
Prepayments	5,804	3,233	-	-	(5,804)	(3,233)
Inventories	-	-	12,113,287	9,349,507	(12,113,287)	(9,349,507)
Accrued Expenses	(9,600)	(8,700)	-	-	9,600	8,700
Superannuation Payable	(46,921)	(53,239)	-	-	46,921	53,239
Provisions	(79,289)	(65,924)	-	-	79,289	65,924
Deferred Management Fees	(202,554)	(847,044)	-	-	202,554	847,044
Tax value of loss carry forwards	(5,649,057)	(4,614,710)	-	-	5,689,057	4,614,710
Tax (assets) / liabilities	<u>(6,020,733)</u>	<u>(5,586,385)</u>	<u>12,113,287</u>	<u>9,349,507</u>	<u>(6,092,555)</u>	<u>(3,763,121)</u>
Set off of tax	6,020,733	5,586,685	(6,020,733)	(5,586,685)	-	-
Net tax (Assets) / liabilities	-	-	6,092,555	3,763,121	(6,092,555)	(3,763,121)

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Parent Entity	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
<i>In Australian dollars</i>						
Accrued Income	884	-	-	-	(884)	-
Prepayments	5,804	3,233	-	-	(5,804)	(3,233)
Inventories	-	-	12,113,287	9,349,507	(12,113,287)	(9,349,507)
Accrued Expenses	(9,600)	(8,700)	-	-	9,600	8,700
Superannuation Payable	(46,921)	(53,239)	-	-	46,921	53,239
Provisions	(79,289)	(65,924)	-	-	79,289	65,924
Deferred Management Fees	(202,554)	(847,044)	-	-	202,554	847,044
Tax value of loss carry forwards	(5,633,503)	(4,575,016)	-	-	5,633,503	4,575,016
Tax (assets) / liabilities	(5,965,179)	(5,546,691)	12,113,287	9,349,507	(6,148,108)	(3,802,816)
Set off of tax	5,965,179	5,546,691	(5,965,179)	(5,546,691)	-	-
Net tax (Assets) / liabilities	-	-	6,148,108	3,802,816	(6,148,108)	(3,802,816)

**Deferred Tax Assets and Liabilities**

Movements in temporary differences during the year:

Consolidated	Balance 1 July 2007 \$	Recognised in income \$	Recognised in equity \$	Balance 30 June 2008 \$
Accrued Income	(8,307)	8,307	-	-
Prepayments	(29,169)	25,937	-	(3,233)
Inventories	(4,172,373)	(5,177,134)	-	(9,349,507)
Accrued Expenses	6,900	1,800	-	8,700
Superannuation Payable	27,549	25,690	-	53,239
Provisions	43,062	22,862	-	65,924
Deferred Management Fees	1,090,764	(243,720)	-	847,044
Tax value of loss carry forwards	3,978,455	636,255	-	4,614,710
DTA not recognised	(936,881)	936,881	-	-
	-	(3,763,121)	-	(3,763,121)

Consolidated	Balance 1 July 2008 \$	Recognised in income \$	Recognised in equity \$	Balance 30 June 2009 \$
Accrued Income	-	(884)	-	(884)
Prepayments	(3,233)	(2,572)	-	(5,804)
Inventories	(9,349,507)	(2,763,781)	-	(12,113,287)
Accrued Expenses	8,700	900	-	9,600
Superannuation Payable	53,239	(6,319)	-	46,921
Provisions	65,924	13,365	-	79,289
Deferred Management Fees	847,044	(644,490)	-	202,554
Tax value of loss carry forwards	4,614,710	1,074,347	-	5,689,057
	(3,763,121)	(2,329,433)	-	(6,092,555)

**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
**ABN 88 092 266 067**

Parent Entity	Balance 1 July 2007 \$	Recognised in income \$	Recognised in equity \$	Balance 30 June 2008 \$
Accrued Income	(8,307)	8,307	-	-
Prepayments	(29,169)	25,936	-	(3,233)
Inventories	(4,172,373)	(5,177,134)	-	(9,349,507)
Accrued Expenses	6,900	1,800	-	8,700
Superannuation Payable	27,549	25,690	-	53,239
Provisions	43,062	22,862	-	65,924
Deferred Management Fees	1,090,764	(243,720)	-	847,044
Tax value of loss carry forwards	3,977,732	597,284	-	4,575,016
DTA not recognised	(936,159)	936,159	-	-
	-	(3,802,816)	-	(3,802,816)

Parent Entity	Balance 1 July 2008 \$	Recognised in income \$	Recognised in equity \$	Balance 30 June 2009 \$
Accrued Income	-	(884)	-	(884)
Prepayments	(3,233)	(2,572)	-	(5,804)
Inventories	(9,349,507)	(2,763,781)	-	(12,113,287)
Accrued Expenses	8,700	900	-	9,600
Superannuation Payable	53,239	(6,319)	-	46,921
Provisions	65,924	13,365	-	79,289
Deferred Management Fees	847,044	(644,490)	-	202,554
Tax value of loss carry forwards	4,575,016	1,058,487	-	5,633,503
	(3,802,816)	(2,345,293)	-	(6,148,108)

Deferred tax assets and liabilities have been recognised, and deferred tax assets have been offset against deferred tax losses. The benefit from taxation losses will only be obtained if:

- (i) the Parent Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the Parent Entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Parent Entity in realising the benefit from the deductions for the losses.

	Consolidated		Parent Entity	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>5. CASH ASSETS</b>				
Cash on Hand	241	524	239	524
Term Deposit	111,852	106,819	85,793	82,324
Cash at Bank	1,298,977	1,067,706	1,298,451	1,066,430
	1,411,069	1,175,049	1,384,483	1,149,278

**5 a) Reconciliation of Cash**

Cash on hand & at bank	1,411,069	1,175,049	1,384,482	1,149,278
Bank Overdraft	(5,953,797)	-	(5,953,797)	-
	(4,542,728)	1,175,049	(4,569,315)	1,149,278

**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
**ABN 88 092 266 067**

	Consolidated		Parent Entity	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$	\$	\$	\$
<b>6. RECEIVABLES</b>				
Current:				
Trade debtors	4,715,795	330,969	4,715,795	330,969
Other debtors	111,400	251,197	105,931	248,827
Loan accounts	(1,043)	4,476	(1,043)	4,476
Prepayments	759,390	766,463	759,390	766,463
	5,585,542	1,353,106	5,580,073	1,350,736

**7. INVENTORIES - Current**

Stock on hand	7,386,355	457,064	7,386,355	457,064
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Stock on hand consists of harvested pearls and nuclei.

**8. RECEIVABLES**

Amount Due Controlled Entity	-	-	160,897	101,283
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**9. BIOLOGICAL ASSETS – Current**

Stock on Hand	6,062,957	3,621,102	6,062,957	3,621,102
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Stock on hand comprises the estimated value for pearls to be harvested in the next 12 months. The ability of the Parent Entity to recover the value attributed to stock on hand is dependent upon the sale of pearls for amounts in excess of the book value recorded above.

**BIOLOGICAL ASSETS – Non-current**

Stock on Hand	43,936,386	41,342,229	43,936,386	41,342,229
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Stock on hand comprises pearl shell, spat and pearl oysters under cultivation. The ability of the Parent Entity to recover the value attributed to stock on hand is dependent upon the successful development and ultimately sale of pearls for amounts in excess of the book value recorded above. Stock on hand has been accounted for in accordance with the requirements of AASB 141 "Agriculture"

**10. OTHER FINANCIAL ASSETS**

Shares – Controlled Entities	-	-	501,004	501,004
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Controlled Entities	Country of Incorporation	Percentage Owned (%)	
		2009	2008
<i>Parent Entity:</i>			
Arafura Pearls Holdings Ltd	Australia	-	-
<i>Subsidiaries of the Parent Entity:</i>			
Arafura Securities Ltd	Australia	100	100
Pearl Management Australia Pty Ltd	Australia	100	100
Arafura Pearls Pty Ltd	Australia	100	100
Arafura Pearls Licensing Pty Ltd	Australia	100	100

Shares in controlled entities are Available for Sale financial assets, the fair value of which cannot be reliably measured as variability in the range of fair value estimates is significant. As a result shares in controlled entities are reflected at cost.

**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
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**11. PROPERTY, PLANT & EQUIPMENT**

	Consolidated		Parent Entity	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
Plant and equipment at cost	9,633,228	6,462,136	9,633,228	6,462,136
Less: Accumulated depreciation	(3,536,806)	(2,741,323)	(3,536,806)	(2,741,323)
	6,096,392	3,720,813	6,096,392	3,720,813
Buildings	1,695,248	1,695,248	1,695,248	1,695,248
Less: Accumulated depreciation	(343,514)	(303,820)	(343,514)	(303,820)
	1,352,161	1,391,428	1,352,161	1,391,428
Total Property, Plant and Equipment	7,448,553	5,112,241	7,448,553	5,112,241

**Plant and Equipment**

Opening balance	3,720,813	3,035,301	3,720,813	3,035,301
Disposals	(59,753)	(85,645)	(59,753)	(85,645)
Depreciation	(795,520)	(616,694)	(795,520)	(616,694)
Additions	3,230,852	1,387,851	3,230,852	1,387,851
Closing balance	6,096,392	3,720,813	6,096,392	3,720,813

**Buildings**

Opening balance	1,391,428	1,313,619	1,391,428	1,313,619
Additions	427	117,540	427	117,540
Depreciation	(39,694)	(39,731)	(39,694)	(39,731)
Closing balance	1,352,161	1,391,428	1,352,161	1,391,428

**12. INTANGIBLE ASSETS**

Formation expenses	3,215	3,215	3,215	3,215
Licences	6,821,429	6,821,429	6,321,429	6,321,429
Less: Accumulated Amortisation	(1,178,350)	(848,409)	(1,038,350)	(728,409)
Total Intangible Assets	5,646,294	5,976,235	5,286,294	5,596,235

**13. OTHER NON-CURRENT ASSETS**

Site development costs	280,666	280,666	280,666	280,666
Less: Accumulated depreciation	(64,898)	(57,882)	(64,898)	(57,882)
	215,768	222,784	215,768	222,784
Boats under construction	393,335	412,924	393,335	412,924
Airstrip	16,801	16,801	16,801	16,801
	625,904	652,509	625,904	652,509

**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
**ABN 88 092 266 067**

	Consolidated		Parent Entity	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>14. PAYABLES</b>				
<b>Current</b>				
Trade Creditors	2,900,198	2,058,962	2,900,198	2,058,962
Other Creditors	917,324	623,380	917,324	623,380
Accrued Expenses	851,813	810,542	851,813	810,542
	4,669,336	3,492,884	4,669,336	3,492,884

**15. OTHER CURRENT LIABILITIES**

Deferred Management Fee	675,180	2,148,300	675,180	2,148,300
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**16. INTEREST BEARING LIABILITIES**

<b>Current</b>				
Convertible Notes – secured	2,446,000	-	2,446,000	-
Hire Purchase - secured	645,690	306,822	645,690	306,822
Bank Overdraft – secured	5,953,797	-	5,953,797	-
	9,045,487	306,822	9,045,487	306,822

Convertible Notes secured by registered charges over the assets of the Company

Hire purchase liabilities secured by registered charges over the mortgaged equipment.

Bank Overdraft is secured by a registered first debenture charge over the assets of the company.

**17. PROVISIONS**

Employee Entitlements	264,297	219,748	264,297	219,748
	264,297	219,748	264,297	219,748

**18. INTEREST BEARING NON-CURRENT LIABILITIES**

Convertible Notes – Secured	-	2,000,000	-	2,000,000
Hire Purchase – secured	2,507,470	499,440	2,507,470	499,440
Other Loan - secured	57,111	73,254	57,111	73,254
	2,564,581	2,572,694	2,564,581	2,572,694

Convertible Notes secured by registered charges over the assets of the Company

Hire purchase liabilities secured by registered charges over the mortgaged equipment.

Other Loan – NT Govt Cyclone Relief Loan – secured by registered charge over the assets of the Company.

**19. OTHER NON-CURRENT LIABILITIES**

Deferred Management Fee	-	675,180	-	675,180
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**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
**ABN 88 092 266 067**

**20. CONTRIBUTED EQUITY**

	<b>Parent Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
• Issued Capital				
Ordinary Shares – fully paid	229,487,842	130,976,052	44,020,922	39,101,333

(a) Movements in Ordinary Share Capital of the Parent Entity during the past two years were as follows:

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>Number of Shares</b>	<b>Issue Price</b>	<b>\$</b>
30/06/2007	Balance		120,009,381		37,335,583
	Rights Issue	(i)	10,500,000	17c	1,785,000
	Share issue expenses	(ii)			(89,250)
	Employee bonus share	(iii)	466,667	15c	70,000
30/06/2008	Balance		130,976,052		39,101,333
	Rights Issue	(i)	45,394,737	5c	2,269,737
	Rights Issue		36,678,053	5c	1,834,353
	Rights Issue		11,430,000	5c	571,500
	Share issue expenses	(ii)			(6,000)
	Rights Issue		5,000,000	5c	250,000
30/06/2009	Balance		229,478,842		44,020,923

<b>Consolidated</b>		<b>Parent Entity</b>	
<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**21. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the financial year	7,199,093	(3,761,553)	7,353,544	(3,715,326)
Net profit/(loss) attributable to members of the Parent Entity	3,126,056	10,096,646	3,185,896	11,068,870
Retained Profits / (Accumulated Losses) at 30 June 2009	10,325,149	7,199,093	10,539,440	7,353,544

**22. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO OPERATING PROFIT / (LOSS)**

Operating Profit (Loss) After Income Tax	3,126,056	10,960,646	3,185,896	11,068,870
<b>Adjustments</b>				
Movement in Provision for Income Tax	2,329,433	3,763,844	2,345,293	3,820,815
Deferred Management Fee - ASSP	(2,148,300)	(812,400)	(2,148,300)	(812,400)
Non Cash Changes Debtors & Creditors	(3,011,436)	354,243	(3,008,337)	350,082
(Increase) Decrease in inventories	(11,965,303)	(22,406,006)	(11,965,303)	(22,406,006)
Depreciation	835,209	656,425	835,209	656,425
Amortisation	572,150	467,031	552,150	447,031
<b>Net Cash Provided by Operating Activities</b>	(10,262,192)	(7,029,441)	(10,203,393)	(6,893,184)

**ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES**  
**ABN 88 092 266 067**

**COMPLIANCE STATEMENT**

1. This report, and the accounts upon which it is based, have been prepared in accordance with AASB Standards and other AASB authoritative pronouncements.
2. This report, and the accounts upon which it is based, use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts that are in the process of being audited.
5. The entity has a formally constituted audit committee.

Signed



Company Secretary

Date: 31<sup>st</sup> August 2009

Name: Annabelle Bechta