



Arafura Pearls Holdings Ltd  
Company Presentation (Sept 2009)



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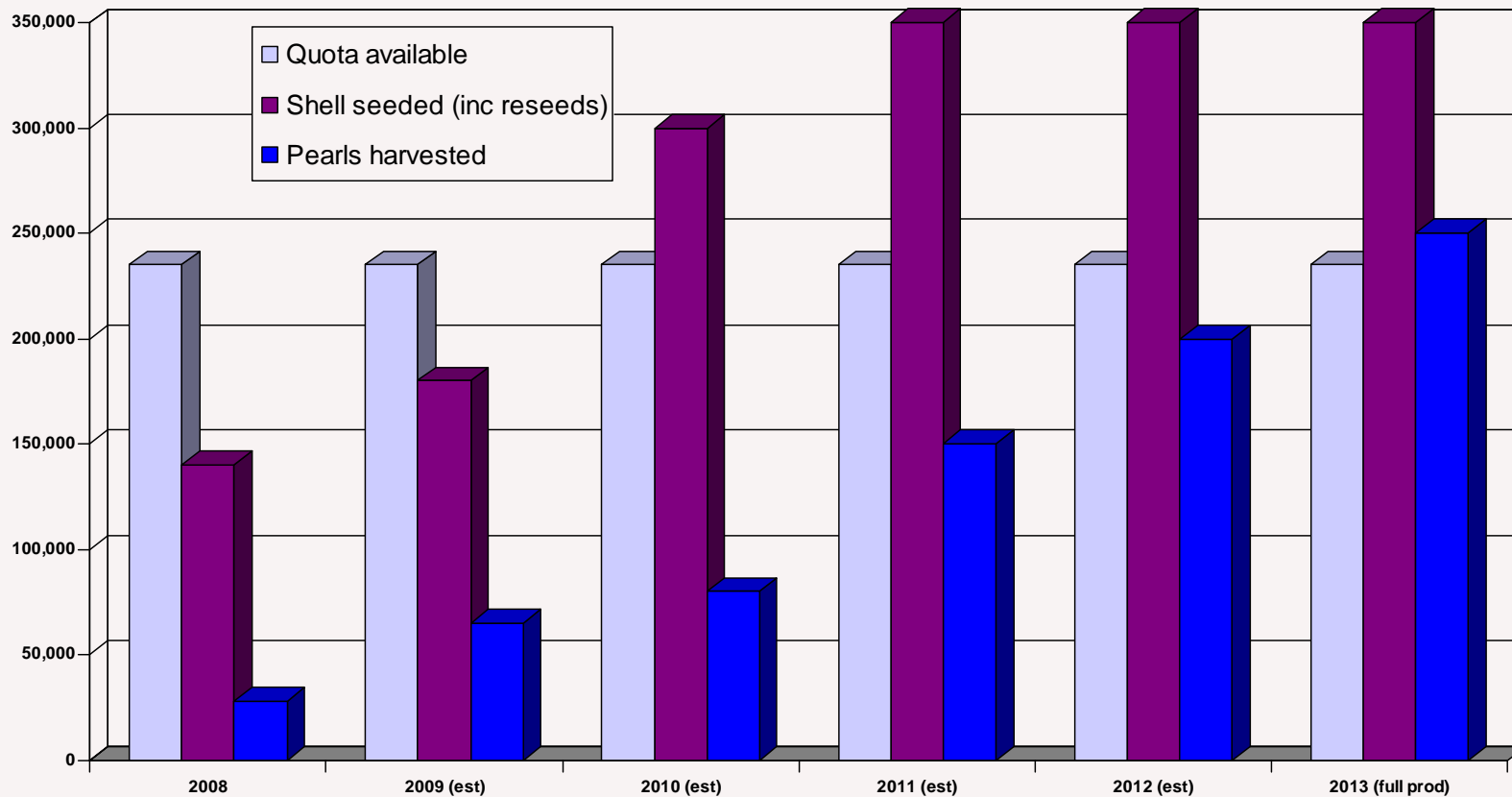
There are a number of risks, both specific to Arafura Pearls and of a general nature which may affect the future operating and financial performance of Arafura Pearls and the value of an investment in Arafura Pearls including and not limited to economic conditions, stock market fluctuations, pearl price movements, environmental and weather related activity, regulatory risks, operational risks, reliance on key personnel, and foreign currency fluctuations among other things.



## Company Snapshot

- Founded in 1998, listed on ASX in 2006, a South Sea pearl producer with operations in NT & WA
- Pearls 2<sup>nd</sup> largest aquaculture industry in Aust by export value
- Product largest and most valuable in world
- Barriers to entry (quota/lead times etc)
- Arafura now 2<sup>nd</sup> largest quota holder & set to become 2<sup>nd</sup> largest producer in Aust after Paspaley group
- Production to increase from approx 65,000 pearls this year to 250,000 pearls p.a. over next 4 years.
- Marginal cost business + need volume to mkt product
- Currently trades at substantial discount to net assets
- MIS used to partially finance expansion
- Arafura at point of inflection; completed development phase, production coming on line, vertically integrating, significant medium term growth outlook

## Production coming on line



## Capital Structure

ASX code	APB
Shares on issue	230 mil
Options/Con notes on Issue (ex price \$0.15-\$0.25)	15.5 mil
Shares (fully diluted)	245.5 mil
Market Cap (fully diluted)*	\$14.7 mil
Net Assets (FY 09)**	\$54.8 mil
NPAT (FY 09)**	\$3.1 mil
Share price (14/9/09)	\$0.06

\* Based on share price of \$0.06

\*\* Subject to final audit

## Share Price Chart





## Board

### **Mark Ceglinski (Non-exec Chairman)**

Former Director of Corporate Finance at Bell Potter Securities, has extensive experience in commercial dealings and capital markets

### **Andrew M. R. Hewitt (CEO)**

Former Senior tax partner of EY's and founding partner of mid tier Chartered Accounting group, has been CEO of Arafura for past 6 years and involved in the industry for over 18 years

### **Christopher J. Cleveland (Exec Director)**

Pre-eminent pearling industry figure with a career spanning approximately 25 years, having been GM of Pearling Aust's two largest South Sea pearl producers at the time, Paspaley Pearls and MG Kailis (Broome) Pearls

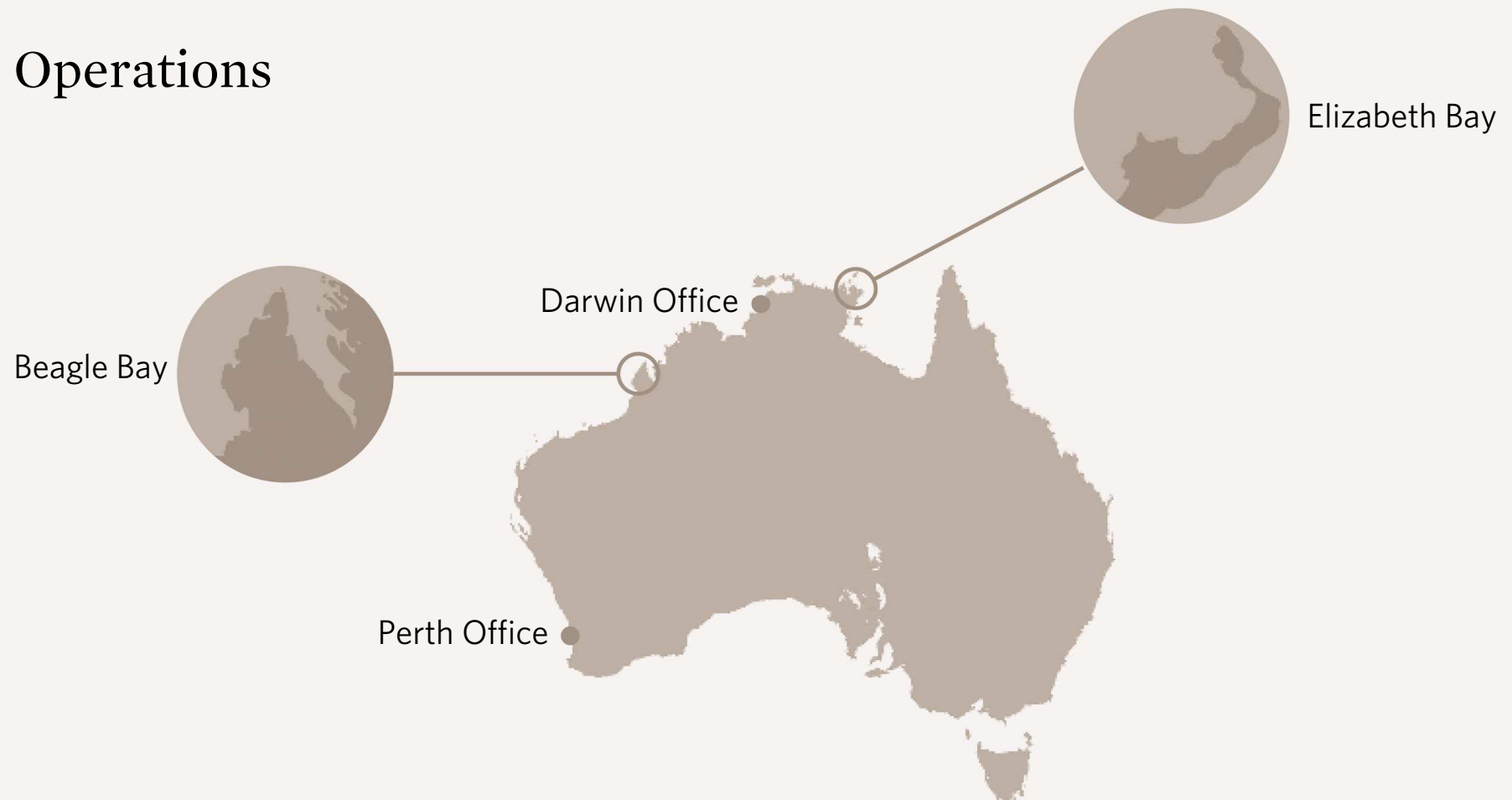
### **Jeffrey A. S. Mews (Non-exec Director)**

Been a Director of a number of ASX listed entities, and former Senior tax partner of PWC



Arafura NT sea areas

## Operations





## Australian Industry

- Aust South Sea pearling industry produce world's largest, & most valuable cultured pearls
- Mature industry, first farm in mid 1950's, commercial levels since early 1980's
- Aust accounts for < 1% of world production by weight but >30% by value
- 2<sup>nd</sup> largest aquaculture industry in Aust by export value (AU\$260 mil pa) ABARE 2008
- Production controlled by quota
- Historically dominated by a number of wealthy private groups, Paspaley (60%) and Arafura (20%) have consolidated quota in recent years



Arafura pearl being harvested



## Australian Industry

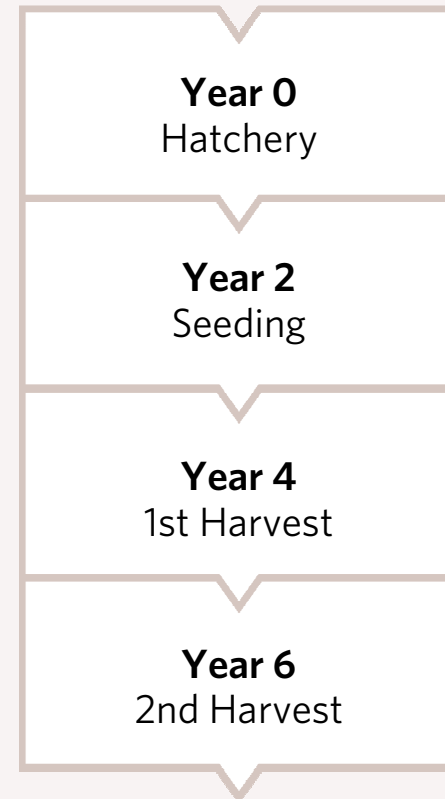
- Pearls come from *Aust *pinctada maxima** shell which is largest of its kind
- Production controlled by quota (first seeding) creating barrier to entry and sustainability
- Much greater % of Aust shell able to be re-seeded compared to other parts of world, hence superior size
- Pristine marine environment of Aust north contributes to quality
- Stable political environment and better access to infrastructure and skilled workforce compared to other pearl producing nations
- lead times to establish pearling operations and start up costs are other barriers to entry

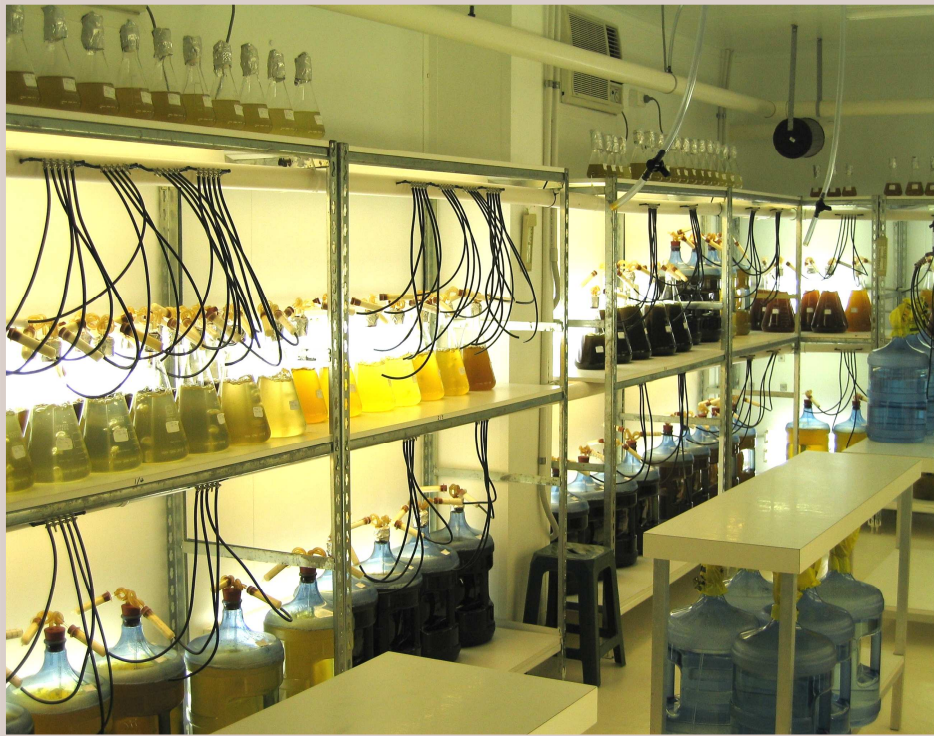


Arafura land base, Elizabeth Bay, NT

## Production Process

<b>Years 0 - 2</b>	Land based hatchery produce spat (juvenile shell) Grow out shell in ocean for 2 yrs
<b>Year 2</b>	Seed virgin/new shell under quota system Seeding/harvesting occurs June – Sept each year
<b>Years 2- 4</b>	Maintain seeded shell for 2 yrs
<b>Year 4</b>	1 <sup>st</sup> Pearl harvest out of shell (F-op) Typical size 11-13 mm Shell that produce commercial pearl re-seeded
<b>Year 6</b>	2 <sup>nd</sup> Pearl Harvest (2-op) Typical size 14-16mm  Shell may produce up to 3 or 4 pearls





Hatchery (yr 0)



Grow out shell (yrs 0-2)



Seed shell (yr 2)



Maintain shell (yrs 2-4)



Harvest & re-seed (yr 4)

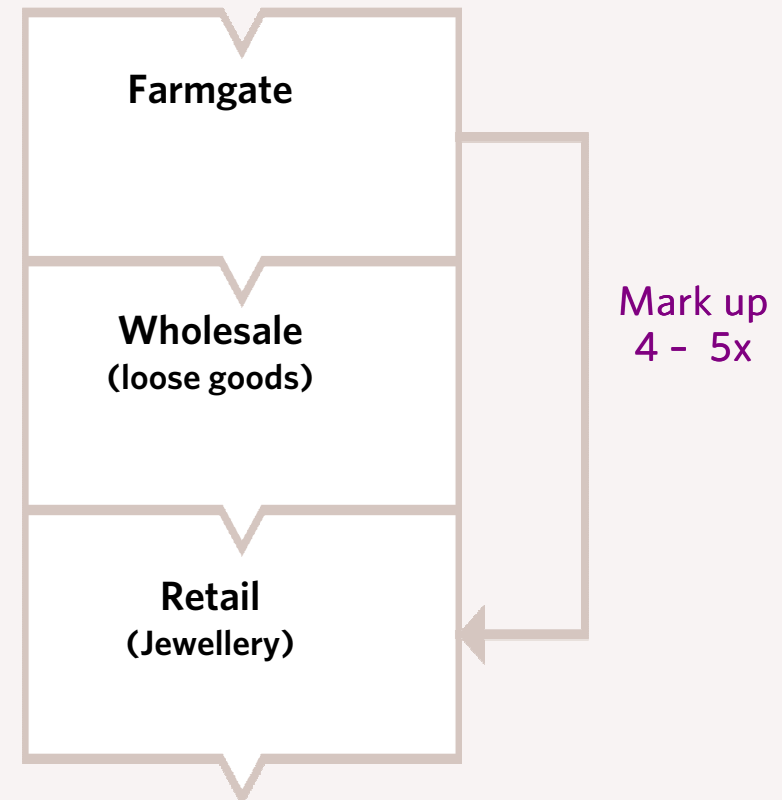


Grade & distribute

## Vertical Integration – the next exciting step

- Aust production largely exported
- Markup between farm gate and retail prices 4 -5x
- At wholesale level, loose pearls distributed via large graded lots at auction and/or private negotiation
- Need volume to be in this space & be able to value add
- Main distributors for Aust production have been Paspaley and Sydney based wholesaler
- Medium term demand to be driven by emerging affluence in markets such as China, India, Middle East, Eastern Europe and South America

**Arafura now has the production & capability to add margin in cost effective way**



## Value Adding



Pairing



Stranding





## Opportunities & Outlook

- Reached point of inflection in Company development
- Production coming on line, significant medium term growth
- Significantly add to margins through vertical integration, branding, marketing, and strategic alliances
- Acquisition opportunities both in Australia and overseas
- Demand outlook positive as markets recover and emerging markets in Middle East, Asia, Eastern Europe and South America continue to expand



A new day at Elizabeth Bay



[www.arafurapearls.com.au](http://www.arafurapearls.com.au)