

Arafura Pearls Holdings Ltd
November 2009 - Annual General Meeting
CEO Presentation



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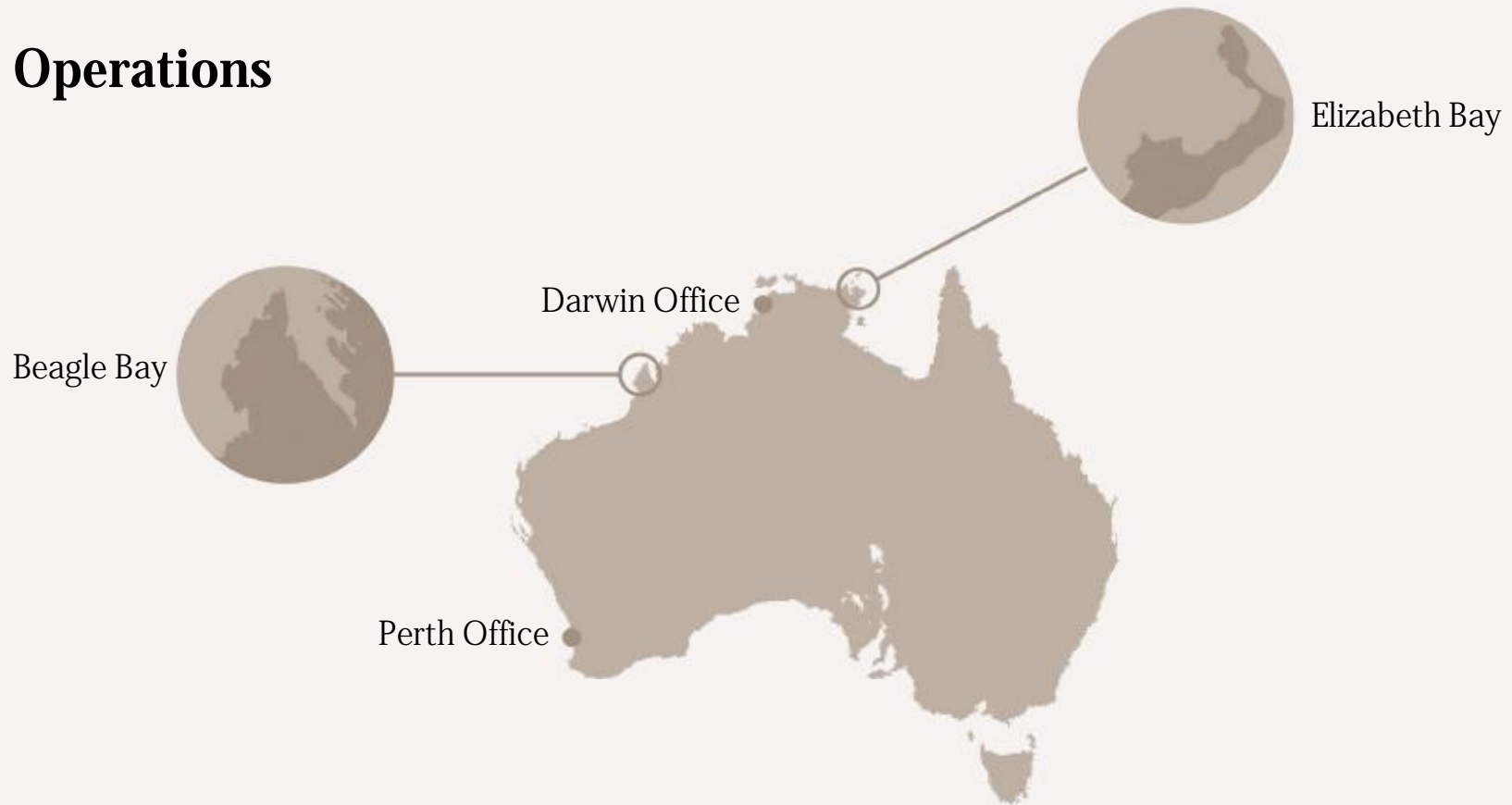
Fundamentals

- Arafura Pearls Holdings Ltd is an Aust South Sea pearl producer with operations in NT & WA
- Founded in 1998, and listed on ASX in 2006 (code APB)
- Have completed lengthy developmental period (7-8 yrs) which comes with industry
- Been in acquisition mode in recent years increasing quota from 40,000 to 235,000 shell (approx 20% of Aust total)
- Now 2nd largest quota holder, and 2nd largest producer after harvest of 100,000 shell this calendar year
- Multi-year growth outlook as work towards full production 300-350,000 pearls p.a. (including re-seeds)
- Vertically integrating with recent building of sales and distribution capability



Arafura NT sea areas

Operations





Capital Structure

ASX code	APB
Shares on issue	255 mil
Options/Con notes on Issue (ex price \$0.15-\$0.25)	15.5 mil
Shares (fully diluted)	270 mil
Market Capitalisation (fully diluted)	\$13.5 mil
Net Assets (FY 09)	\$54.7 mil
NPAT (FY 09)	\$3.1 mil
Share price as at 25 November 2009	\$0.05



Corporate

- Arafura listed on ASX Dec 2006 at \$0.25
- Arafura has spent approx \$60 mil+ developing and expanding its operations
- The Company has used MIS in recent years as a non-dilutionary way of partially financing its expansion
- Raised \$25 mil via MIS over past 4 years
- MIS effectively share farming with investors receiving a share of future income (from 2 future harvests)
- Net assets have increased to \$54.7 mil (FY 09) from \$46.6 mil (FY 08)
- NPAT for FY 09 was \$3.1 mil down from \$10.9 mil the previous year



Mothership "Aracat"

Australian Industry

Production

- 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
- Accounts for < 1% of world production by weight but >30% by value
- 2nd largest aquaculture industry in Aust by export value (AU\$300 mil p.a.) ABARE 2008
- Production restricted by quota system
- Historically dominated by a number of wealthy private groups, industry has consolidated with Paspaley and Arafura now controlling approx 85% of quota



Arafura pearl being harvested



Australian Industry

Competitive advantages

- Size and quality of product from *Aust *pinctada maxima** shell
- Ability to re-operate significant % of Aust shell
- Pristine marine environment of Northern Aust
- Access to infrastructure and skilled workforce
- Stable political environment

Barriers to entry

- Strict quota system (restriction on production)
- 6 – 8 yr lead time to establish hatchery operation
- Limited appropriate farm areas

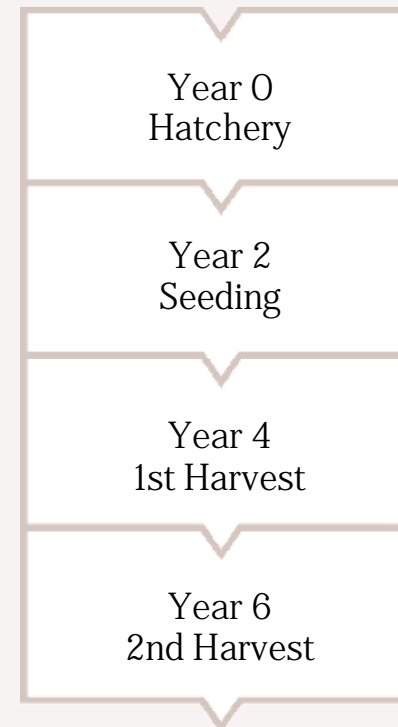


Arafura land base, Elizabeth Bay, NT



Production Process

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

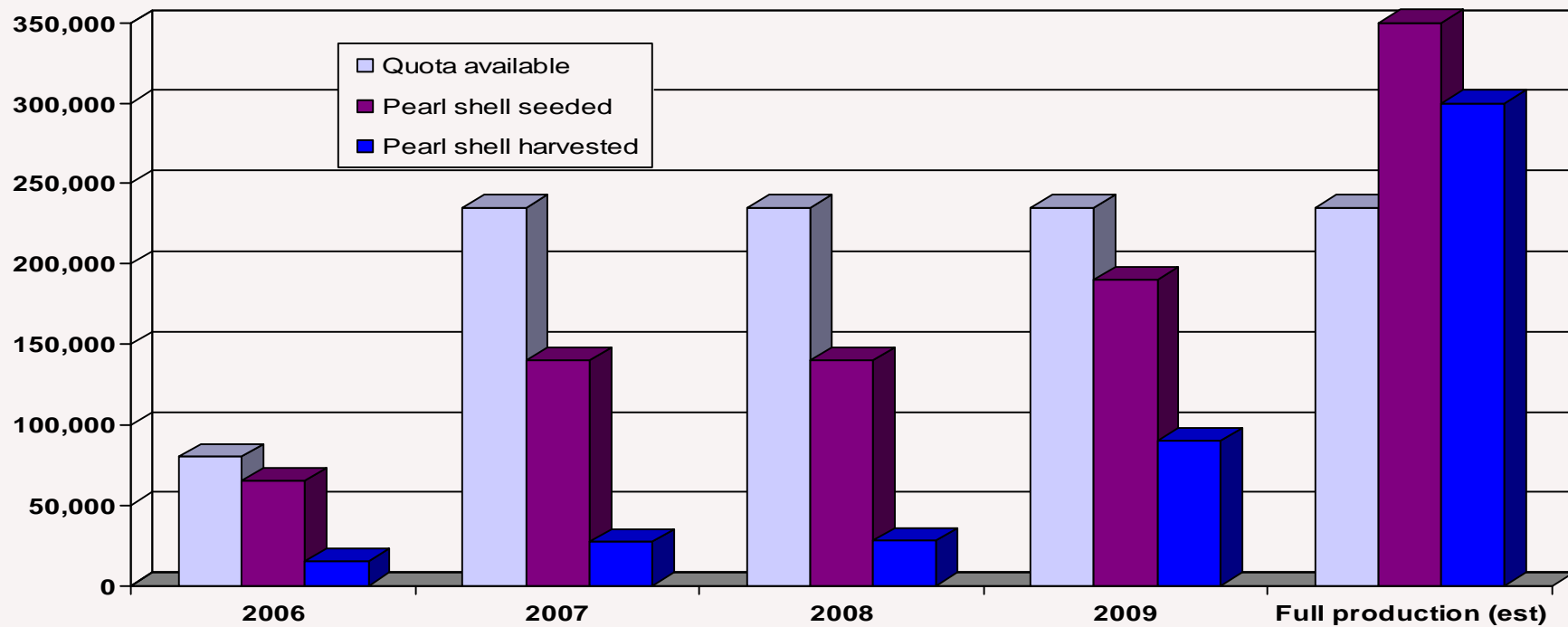


Harvest & re-seed (yr 4)



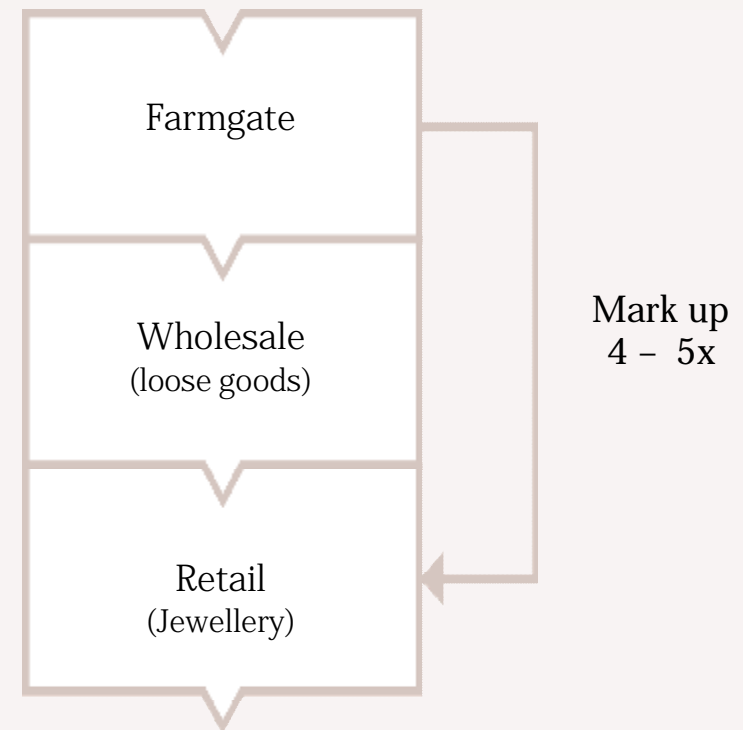
Grade & distribute

Arafura Production Profile



Sales and Distribution

- Primary use for pearls is jewellery i.e. strands, necklaces, earrings and rings
- At wholesale level, loose pearls are distributed via large graded lots at auction and/or private negotiation
- Need supply to be able to distribute in wholesale market
- Main distributors for Aust production have been Paspaley (vertically integrated) and Sydney based wholesaler
- Arafura now has the supply and capability to distribute
- Market for Aust production is export and global
- Medium term demand to be driven by emerging affluence in markets such as China, India, Middle East, Eastern Europe and South America
- Significant potential to increase margin by down streaming and value-adding



Value Adding



Pairing



Stranding



Opportunities

- Organic growth in production through continued exploitation of existing quota
- Marginal costs to continue falling
- Acquisition opportunities both in Australia and overseas
- Continue vertical integration and implementing sales and marketing strategy
- Go from price taker to price maker
- Increase margins through diversifying client base, branding, marketing, value adding, and strategic alliances
- The emerging markets in Middle East, Asia, Eastern Europe and South America



A new day at Elizabeth Bay



Thank you for your attention



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