



Arafura Pearls Holdings Ltd
November 2010 - Annual General Meeting

CEO Presentation



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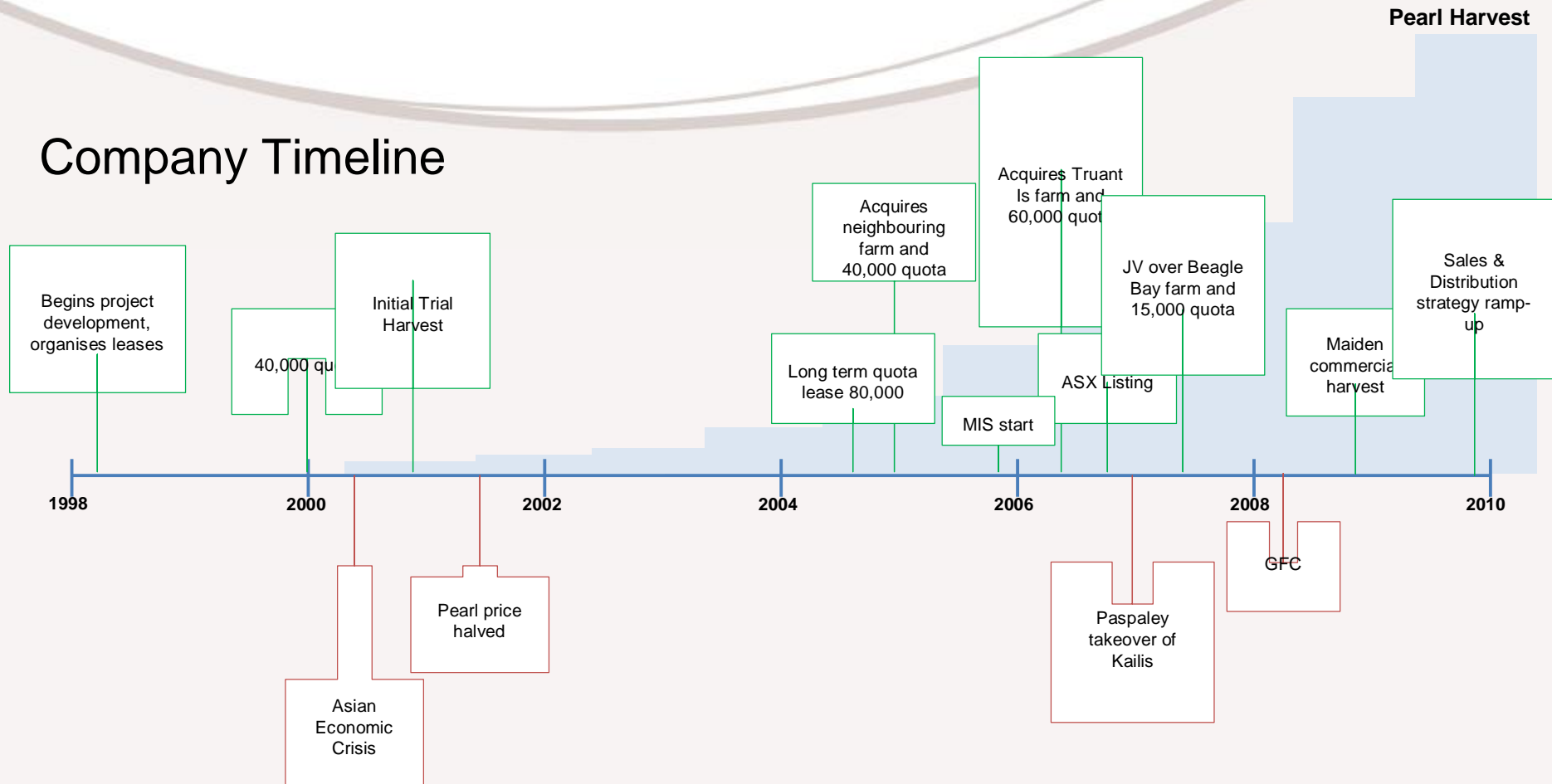
Fundamentals

- Arafura Pearls Holdings Ltd is an Aust South Sea pearl producer with operations in NT
- Founded in 1998, and listed on ASX in 2006 (code APB)
- Have completed lengthy developmental period (9+ 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 moving towards 2nd largest producer after harvest of 60,000 pieces this calendar year
- Multi-year growth outlook as work towards full production 300,000 pearls p.a. (including re-seeds)
- Vertically integrating with recent building of sales and distribution capability



Arafura NT sea areas

Company Timeline





Board & Management

James Taylor (Executive Chairman)

Former Director of one of Australia's largest real estate groups and CEO of a large private manufacturing company. Long term shareholder of the company.

Andrew Hewitt (Founder & CEO)

Former Senior tax partner of Ernst & Young, has been CEO of Arafura for past 8 years and involved in the industry for over 20 years.

Jeffrey Mews (Non-Exec Director)

Has been a Director of a number of ASX listed entities, and former Senior tax partner of PriceWaterhouseCoopers.

Mark Ceglinski (Non-Exec Director)

Director of Corporate Finance at DJ Carmichael, has extensive experience in commercial dealings and capital markets.

David Jackson (GMO)

Regarded figure in industry co-founding Australian pearling operation in 80's which he operated until selling in late 90's. Prior to joining Arafura was GMO for another Australian seafood / pearling group.

Fiona Cranley (Sales and Distribution)

Former head of pearl sales and distribution for Australian pearling group prior to being taken over by Paspaley Pearls.

Why Australian Pearls?

Production

- Australian South Sea pearling industry produces world's largest and most valuable cultured pearls
- **Australia accounts for < 1% of world production by weight but >30% by value**
- Mature industry, first farm in mid 1950's, commercial levels since early 1980's
- 2nd largest aquaculture industry in Australia by export value (A\$260 mil p.a.) - ABARE 2008
- Arafura and Paspaley now control approx 85% of Australian quota



Arafura pearl being harvested



Why Australian Pearls?

Competitive advantages

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

Barriers to entry

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



Arafura land base, Elizabeth Bay, NT



Why Arafura?

- Arafura now the 2nd largest producer in Australia after Paspaley Pearls
- Production to ramp up from 60,000 pearls in 2010 to 300,000 pearls p.a. within next 4 years
- A\$80 million+ spent developing operations to date
- Experienced Board and management
- Poised for growth after 10 years of building capacity



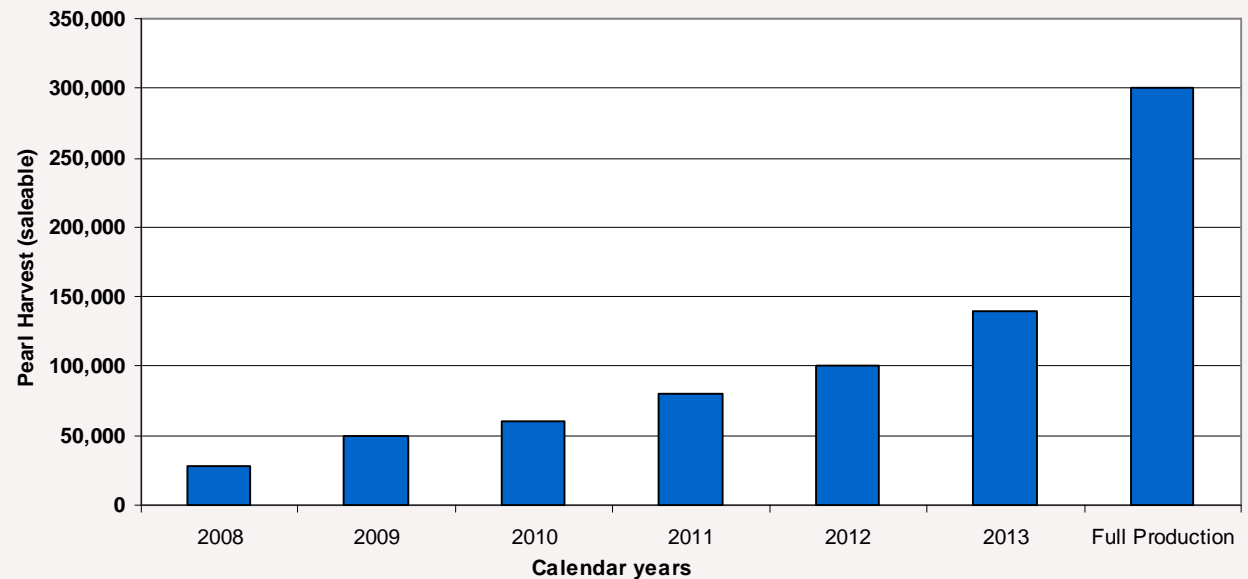
Arafura NT sea areas



Production

- Having worked through lead times, production now coming on-line
- In ramp up phase
- Production expected to double in 2011
- Effect compounded by larger, higher value 2nd and 3rd op shell coming on line

Production Outlook (est)





Corporate Strategy

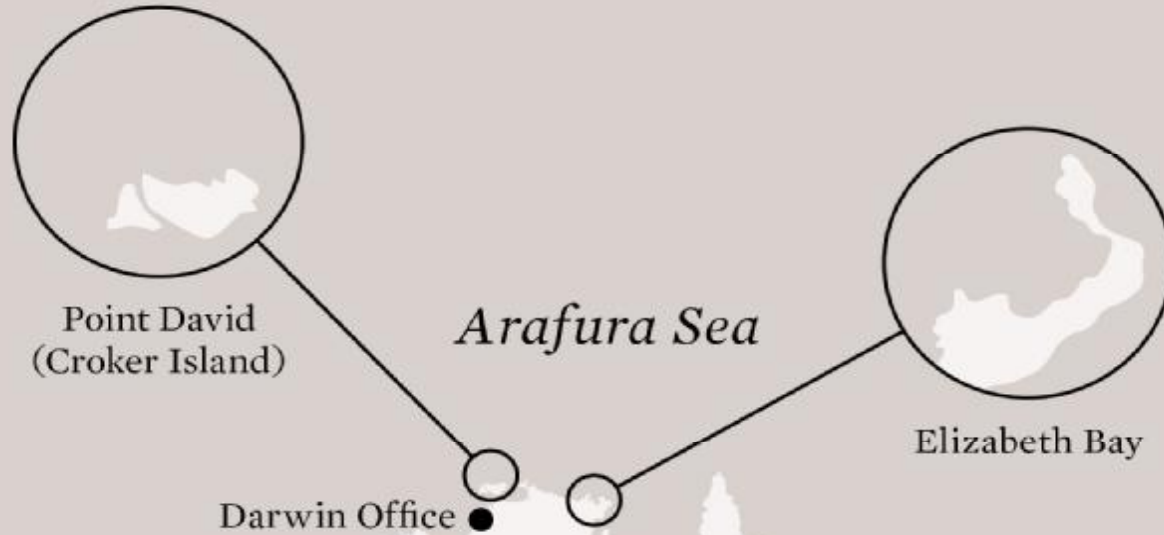
- Arafura has been working towards 4 key objectives as part of its business model
 - 1. Economies of scale**

Pearling has high fixed costs but low variable costs

Margin and profitability increases dramatically with scale

Arafura made the decision to 'scale up' in 05/06 and this production now coming on line
 - 2. Production site diversity**

Arafura has vast sea areas to mitigate farming risk



Point David
(Crocker Island)

Arafura Sea

Elizabeth Bay

Darwin Office ●

Perth Office ●

Arafura Operations



Corporate Strategy (continued)

3. Access to growth capital

Pearling is a capital intensive business with long lead times

Listed in 2006 to better access capital mkts

Arafura has used MIS structure to assist with funding 'scale up'

Raised \$50 Mill in equity and \$30 Mill in MIS to develop project

4. Vertically integrate

Limited number of suppliers of Aust product

Significant mark up from farm gate to retail (5x)

Arafura now has the volume and expertise to market its own product



Corporate Overview FY 2010

Pearl sales increased 600% to \$5.25 Mill up from \$0.86 Mill in pcp.

\$5 Mill rights issue conducted in Feb 2010 to clear bank facility and maintain low levels of debt

MIS revenue of \$7.3 Mill up 30% on pcp

Post FY, \$6 Mill rights issue Oct 2010 with \$2 Mill shortfall to be placed in the short term

ASX code	APB
Shares on issue	860 Mill
Options on issue	135 Mill
Share price <i>* As at 23 Nov 2010</i>	1.5c
Market Capitalisation (undiluted)	\$12.9 Mill
Net Assets (FY 2010)	30 Mill+

Market Outlook

- Australian South Sea pearls command premium prices to all other varieties
- Market prices have fallen recently as a result of GFC
- Significant established markets currently for Australian pearls are Japan, North America & Europe
- Medium term demand to be driven by emerging affluence in China, India, South America and the Middle East
- Current prices are historically low and Arafura is poised to benefit from a recovery in prices





Objectives and Milestones

In the next 12 months:

- Manage organic growth as work towards full production
- Roll out sales and distribution strategy to increase margins
- Continue vertical integration (matching & value add)
- Progress JV& acquisition opportunities
- Build profile at both corporate and product level



A new day at Elizabeth Bay

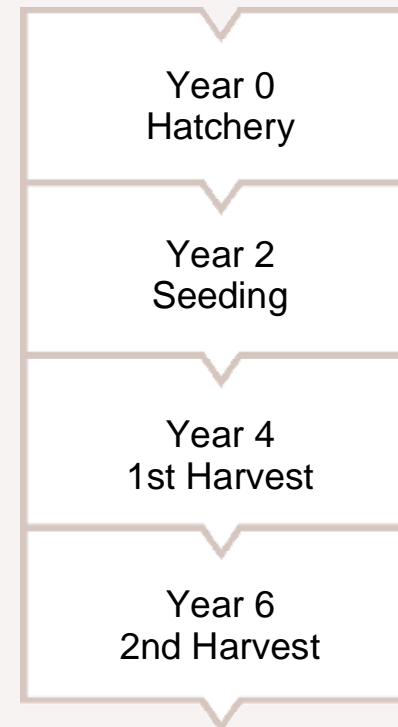


Thank you for your attention

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Appendix 1: 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 (First-op) Typical size 11-13 mm Shell that produce commercial pearl re-seeded
Year 6	2 nd Pearl Harvest (Second-op) Typical size 14-16mm Shell may produce up to 3 or 4 pearls



Appendix 2: Sales and Distribution

- Market for Australian production is mainly export
- Markup between farm-gate and retail prices typically 4 -5x
- At wholesale level, loose pearls distributed via large graded lots at auction and/or private negotiation
- Main distributors for Australian production have been Paspaley (vertically integrated) and a 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 ability to supply and distribute value added-product and leverage its gross margin

