



30 July 2010

ASX Limited
Companies Announcement Platform

APPENDIX 4C QUARTERLY CASH FLOW JUNE 2010

Attached is the report for the June 2010 quarter submitted by Arafura Pearls Holdings Limited.

Operations

The quarter was a busy one operationally with the farms preparing for their annual seeding and harvest program. The Company expects to run a similar program this year to that in 2009, seeding approximately 200,000 shell, and harvesting 80,000 shell.

The increased seeding numbers since last calendar year will begin translating into significantly larger annual harvests, with the 2011 calendar year harvest expected to nearly double in size to approx 150,000 shell.

With more mature shell in the system, the seeding levels will also dramatically increase in calendar 2011 to approximately 300,000 shell, which will translate into a further 50% increase in the company's annual harvest from calendar year 2013 to approximately 250,000 shell.

Notwithstanding the substantial increase in the level of shell in production & growout going forward, the current operating costs will only increase marginally against significant improvement in forecast revenue from pearl harvest proceeds.

Sales & Distribution

Arafura's representatives attended the Hong Kong Jewellery fair at the end of March and completed pearl sales of approx \$1.6 million during the June quarter.

The sales and distribution team have now begun grading this years harvest and while very early in the process the initial feedback is that the round and quality percentages are above expectations.

The next major pearl sales and distribution event is the Hong Kong pearl auctions and Jewellery fair in September. The Company will be taking a proportion of this years harvest to this event and expects to generate material sales from this pre-Christmas activity.

With commercial levels of pearl production now coming on line and another significant step up in production next year, the Company has begun implementing its sales and distribution strategy. During the quarter, representatives of the

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Company met with one of the largest retail jewellery groups in Asia to discuss future pearl supply arrangements. While discussions are at an early stage the Company has been encouraged by the initial positive reaction.

Corporate

The Company completed its 2010 MIS sales program with sales of \$7.3 million (ex GST) during the course of the financial year, up 30% on the previous financial year. The result was particularly pleasing given the difficulties in the MIS sector, with Arafura being one of the only companies in the space to increase sales from the prior year for the second consecutive year.

As announced today, post quarter the Company placed 70,000,000 shares at 1.5 cents to sophisticated investors raising \$1,050,000 for general working capital purposes.

With commercial levels of production now coming on line the Company is in the final stage of its development, and expects to be cash flow positive from underlying operations from next calendar years harvest onwards. This maturation is evidenced by the Company's full year accounts due for lodgement 30 August with the unaudited figures showing a small operating cash flow deficit of approximately \$340K an improvement of approximately \$6m from a deficit of approx \$6.5m in the prior year.

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ARAFURA PEARLS HOLDINGS LIMITED

ABN

88 092 266 067

Quarter ended ("current quarter")

30 JUNE 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	3,384	15,249
1.2 Payments for		
(a) staff costs	(1,556)	(6,264)
(b) NT farm operations	(436)	(1,149)
(c) Corporate Admin	(261)	(1,373)
(d) MIS expenses	(914)	(3,184)
(e) other working capital	(897)	(2,317)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	15
1.5 Interest and other costs of finance paid	(269)	(1,425)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(943)	(448)

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	Curent quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(943)	(448)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(493)	(881)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
Net investing cash flows	(493)	(881)
1.14 Total operating and investing cash flows	(1,436)	(1,329)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	(6)	5,847
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	1,500	1,751
1.18 Repayment of borrowings	(204)	(7,400)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	1,290	198
Net increase (decrease) in cash held	(145)	(1,131)
1.21 Cash at beginning of quarter/year to date	428	1,411
1.22 Exchange rate adjustments to item 1.1	(19)	(16)
1.23 Cash at end of quarter	265	265

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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	348
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Executive directors fees included in Staff costs 1.2 (a)	302
	Non Executive Directors fees included in 1.2 (a)	46
	Fees due for services rendered last year related entity – prior to appointment as director included in 1.2(f)	0

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	4,198	3,287
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	172	337
4.2 Deposits at call	93	91
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	265	428

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date 30 July 2010
 (Director)

Print name: Andrew Hewitt

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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