



4 February 2010

Dear Shareholder

Non-Renounceable Rights Issue

On 4 February 2010, the Company announced to the Australian Securities Exchange (ASX) the details of up to approximately 258,037,838 shares (New Shares) at an issue price of \$0.02 per New Share on the basis of one (1) New Share for every one (1) Share held at the Record Date (see below), to raise approximately \$5,160,757 (Offer).

The document relating to the Offer (Offer Document) was lodged with ASX on 4 February 2010 and is available at www.asx.com.au. The Offer Document is also available at the Company's website at www.arapurapearls.com.au.

A copy of the Offer Document will be mailed to all shareholders eligible to participate in the Offer, in accordance with the Listing Rules on the indicative timetable set out below.

At the Company's Annual General Meeting held on 26 November 2009, Shareholders ratified the issue of up to \$5,000,000 in convertible notes (Convertible Notes) on certain terms for working capital to fund production growth.

While the Directors reserve their right to issue the Convertible Notes at a later date, the Directors are now of the opinion that the Offer (rather than the issue of the Convertible Notes) is the appropriate structure to raise capital and fund its ongoing working capital requirements and, as such, the proceeds of the Offer, will be used to repay the remaining balance of bank facilities, the costs of the issue and general working capital. Shareholders should note that this proposed use of funds is a "best estimate" only and it is important to recognise that the use of funds may be subject to change in line with results, circumstances and other opportunities.

The Offer has been co-underwritten for an amount of \$3,438,165, representing 67% of the Issue, by a group of investors which include the three directors, other existing shareholders and some non shareholders. The underwriters will receive a fee of 6% of the amount which they have agreed to underwrite under the Offer. The Offer Document will contain further details of the underwriting arrangements.

The Offer Document will contain provision for the application for New Shares in addition to the Entitlement from existing shareholding. This facility allows shareholders to increase their investment and proportionate shareholding in the Company.

The indicative timetable and important dates of the Offer are set out below (please note these dates are subject to change):

Event	Date
Announcement of Offer and Appendix 3B	4 February 2010
Cleansing notice and Offer Document lodged with ASX	4 February 2010
Notice sent to security holders	5 February 2010
Ex date (date from which securities commence trading without the entitlement to participate in the Rights Issue)	8 February 2010
Record date (date for determining entitlements of eligible shareholders to participate in the Rights Issue)	12 February 2010
Offer Document dispatched to Shareholders (expected date of dispatch of Offer Document, entitlement and acceptance forms)	17 February 2010
Offer opens	17 February 2010
Closing date* 5pm (WDST)	9 March 2010
Company to notify ASX of undersubscriptions (if any) **	12 March 2010
Dispatch holding statements **	17 March 2010

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only.

We encourage you to give this offer due consideration and seek independent professional advice if required.

Please feel free to contact us should you have any queries regarding the above.

Yours faithfully
Arafura Pearls Holdings Limited



Andrew M R Hewitt
Chief Executive Officer