



**Arafura Pearls Holdings Ltd ABN 88 092 266 067
ASX Announcement**

**Capital raising, Loan Facility
& Board Appointment**

Perth, 2 February 2011

- **Arafura places shortfall of rights issue**
- **Completes institutional placement**
- **Mr Jonathan Warrant to join Arafura's Board**

Overview

Arafura Pearls is pleased to announce the placement of the remaining shortfall under the rights issue in October 2010, and a private placement, to raise \$3.2 million in total.

As part of the transaction it is intended that Arafura be provided with a 12 month \$2 million loan facility for working capital purposes.

The CEO of Arafura, Mr Andrew Hewitt, welcomed this development. "The board is pleased to complete the shortfall and placement."

"The funds raised will allow Arafura to continue its development as Australia's second largest vertically integrated producer of South Sea pearls."

Details of Subscription

Arafura has entered into an agreement with two investors, Farjoy Pty Limited and Intrasia Capital Pte Limited pursuant to which they will together subscribe for:

1. Shortfall from Arafura's October 2010 rights issue of approximately 113 million shares at 1.5 cents with 1 free option attaching to every 2 shares subscribed; and
2. A private placement of 100 million shares at 1.5 cents per share with 1 free option attaching to every 2 shares subscribed. The options have an exercise price of 4c per share and expire on 31 May 2013, and are otherwise on identical terms to the options issued as part of the rights issue.

The private placement of shares is being conducted under Arafura's 15% capacity and does not require shareholder approval in accordance with ASX listing rule 7.1.

As part of the transaction, the maturity date of the Company's outstanding convertible notes (approx \$1.17 mill) has been extended to 30 June 2011.

The funds raised will be used to repay private financing as set out in the rights issue offer document as well as general working capital.

Loan Facility

Farjoy Pty Limited has also agreed to provide Arafura with a credit facility of up to \$2 million for 12 months at an interest rate margin of 5% above prevailing 90 day bank bill rates with the parties intending to enter into formal binding agreements on this basis shortly. The credit facility will be secured by a fixed and floating charge over the Company's assets, with priority over all existing security except pre-existing fixed charges.

Director Appointment

Arafura welcomes Mr Jonathan Warrand, the Managing Director of Intrasia Capital Pty Ltd, to its Board. Mr Warrand's background can be found in the Appendix.

A nominee from Farjoy Pty Limited will also join Arafura's Board which will be announced shortly when the Chairmanship will also be announced. Arafura's current Chairman, James Taylor, and non executive Director Jeffrey Mews have agreed to resign to allow for the new appointments. Arafura would like to take this opportunity to thank both of them for their input into the Company's development particularly Mr Mews who alongside Mr Hewitt has been Arafura's longest serving Board member having being on the Board since 2001.

ENDS

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About Arafura Pearls (ASX:APB)

Arafura Pearls Holdings Ltd (Arafura) is a listed public company involved in the growing, harvesting and sale of premium Australian South Sea Pearls.

Arafura has operated a state-of-the-art pearl oyster hatchery and farm in Arnhem Land in the Northern Territory (NT) since 1998, and harvested its first pearls in 2001. The pearling industry is controlled through a quota system to support the industry's long term sustainability. Arafura has access to quota of 260,000 pearl oysters, making it the second largest quota holder in Australia and the largest in the NT. With production lead times, Arafura's operations will continue to expand based on current quota towards an annual full production harvest of approximately 300-350,000 pearls (including re-seeds) over the coming years.

Background – Mr Jonathan Warrand
MBA (Exec), CA, FFinsia, Assoc. IPAA, BCom

Mr Jonathan Warrand is the Managing Director of Intrasia Capital Pty Limited, a proprietary and corporate advisory firm in Sydney with associated offices in Singapore and Mauritius.

He has over twenty three years of corporate advisory experience across various sectors including soft and hard commodities, financial services and real estate and has experience in equity and debt capital markets, strategic planning, capital management and corporate advisory.

Mr Warrand is an Executive Director of Atomic Resources Limited, Superwoman Group Limited and is a Non-Executive Director of Chancery Managed Investments Limited (a subsidiary of Oxley Group, based in Singapore).

Mr Warrand holds a Masters of Business Administration (Executive) from the Australian Graduate School of Management (University of New South Wales and University of Sydney), Graduate Diploma in Applied Finance and Investment, Insolvency Law Certificate from the University of Southern Queensland and a Bachelor of Commerce.

He is a Chartered Accountant, Fellow of Finsia and is an Associate of the Insolvency Practitioners Association of Australia.