



31 January 2011

ASX Limited
Companies Announcement Platform

APPENDIX 4C QUARTERLY CASH FLOW DECEMBER 2010

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

Operations

The quarter has seen farm operations become streamlined due to several factors. The renewal of most of the long lines and panels at both Elizabeth Bay and Point David farms into new sections has enabled less down time in mending and replacing gear in the field. We have also successfully x-rayed all of the operated shell and transferred positive oysters to Point David to complement those translocated from the discontinued Beagle Bay farm in WA.

These initiatives will drive much greater efficiency and cost savings.

Selection of spat from the nursery area into 15 pocket panels has been completed and transferred to the bottom area's for 'growout' until operation in 2012. We have 3 year-classes of spat all developing well from which to continue our progression to full production.

The hatchery has had 3 successful spawnings in the quarter and is on track to fulfill our spat selection needs for later this season.

Both farms have been able to maintain a successful cleaning program and the seeded shells responded accordingly with good health and growth providing an indication that the 2011 harvest will be in line with expectations.

Sales & Distribution

The South Sea pearl market is now recovering from the historically low prices due to the GFC. This is now starting to stimulate demand at the wholesale level particularly for round and near round goods. Arafura has now sold most of these higher value goods from its 2010 harvest with other shapes slower to move. The Company started its value adding program during the quarter with 25 strands being put together mainly using drop shapes. These strands have been placed on consignment with high end retail jewelers. This is estimated to add approximately 60% to the loose good price that Arafura would have otherwise received in the wholesale market. The marketing & distribution team is now focused on preparing goods for the next significant sales activity being the March Hong Kong Jewellery Fair.

+ 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")

31 DECEMBER 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	1,454	3,149
1.2 Payments for		
(a) staff costs	(1,567)	(3,011)
(b) NT farm operations	(190)	(359)
(c) Corporate Admin	(595)	(776)
(d) MIS expenses	(733)	(1,874)
(e) other working capital	(480)	(721)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		1
1.5 Interest and other costs of finance paid	(370)	(681)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(2,480)	(4,273)

+ See chapter 19 for defined terms.

	Curent quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,480)	(4,273)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(120)	(407)
(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	(120)	(407)
1.14 Total operating and investing cash flows	(2,600)	(4,679)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	2,938	3,785
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	440	1,976
1.18 Repayment of borrowings	(821)	(1,138)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	2,557	4,623
Net increase (decrease) in cash held	(43)	(57)
1.21 Cash at beginning of quarter/year to date	273	265
1.22 Exchange rate adjustments to item 1.1	10	32
1.23 Cash at end of quarter	240	240

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

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	49
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)	84
	Non Executive Directors fees included in 1.2 (a)	35
	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	5,030	4,553
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	145	179
4.2 Deposits at call	95	93
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	240	273

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 31 January 2011
(Director)

Print name: Andrew Hewitt

Notes

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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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