



17 December 2008

Dear Shareholder

### **Non-Renounceable Rights Issue**

On 16 December 2008, the Company announced to the Australian Securities Exchange (**ASX**) the details of up to approximately 130,976,048 shares (**New Shares**) at an issue price of \$0.05 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 \$6,548,800 (**Offer**).

The document relating to the Offer (**Offer Document**) was lodged with ASX on 16 December 2008 and is available at [www.asx.com.au](http://www.asx.com.au). The Offer Document is also available at the Company's website at [www.arapurapearls.com.au](http://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 27 November 2008, Shareholders ratified the issue of up to \$7,000,000 in convertible notes (**Convertible Notes**) on certain terms for working capital to fund production growth towards the Company's "watershed" harvest next calendar year.

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 put towards this and the costs of the Offer. 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 \$4,059,346 or 62% by a group of investors which include existing shareholders and directors Andrew MR Hewitt, Mark Ceglinski, and Jeffrey AS Mews. The underwriters will receive a fee of 6% of the amount which they have agreed to underwrite under the Offer. Please refer to the Offer Document for further details of the underwriting arrangements.

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

<b>Event</b>	<b>Date</b>
<b>Announcement of Offer and Appendix 3B</b>	<b>16 December 2008</b>
<b>Cleansing notice and Offer Document lodged with ASX</b>	<b>16 December 2008</b>
<b>Notice sent to security holders</b>	<b>17 December 2008</b>
<b>Ex date</b> (date from which securities commence trading without the entitlement to participate in the Rights Issue)	<b>18 December 2008</b>
<b>Record date</b> (date for determining entitlements of eligible shareholders to participate in the Rights Issue)	<b>24 December 2008</b>
<b>Offer Document dispatched to Shareholders</b> (expected date of dispatch of Offer Document, entitlement and acceptance forms)	<b>2 January 2009</b>
<b>Offer opens</b>	<b>2 January 2009</b>
<b>Closing date*</b> <b>5pm (WDST)</b>	<b>23 January 2009</b>
<b>Company to notify ASX of undersubscriptions (if any) **</b>	<b>29 January 2009</b>
<b>Dispatch holding statements **</b>	<b>3 February 2009</b>

\* 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**