ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES
ABN 88 092 266 067

APPENDIX 4E
PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Current reporting period: 12 months to 30 June 2010
Previous reporting period 12 months to 30 June 2009

OPERATING PERFORMANCE	30 June 2010 $'000	30 June 2009 $'000	Change $,000	Change %
Revenue from ordinary activities	10,792	6,956	3,836	Up 55.14%
Profit/(Loss) from ordinary activities after tax attributable to members	(28,210)	1,754	(29,964)	Down 1709%
Profit / Loss) for the year attributable to members	(28,210)	1,754	(29,964)	Down 1709%

DIVIDEND INFORMATION

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2010.

COMMENTARY ON RESULTS FOR THE YEAR ENDED 30 JUNE 2010

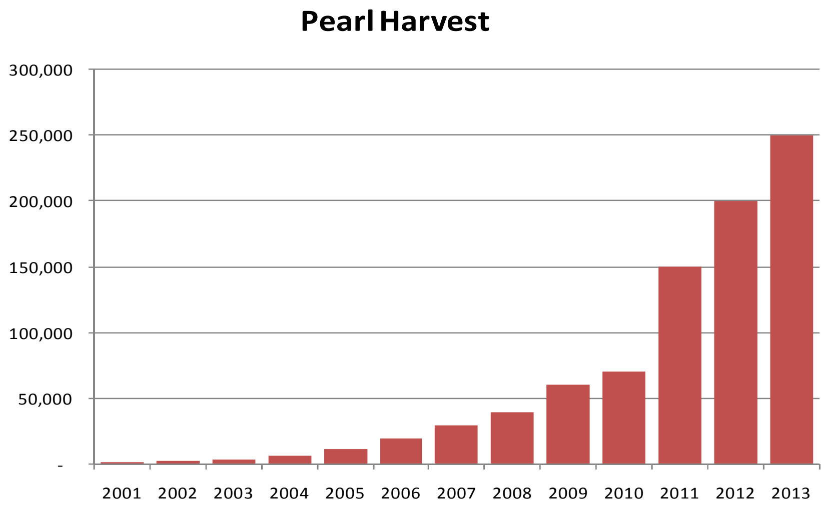
Overview

Financial Year 2010 was another important year for the Company.

The Company has now completed a lengthy period of development typical of a hatchery based pearling operation. It typically takes 6 – 8 years+ to set up the infrastructure, commission a hatchery, start spawning shell in commercial quantities, growing them out (two (2) years process), put shell into production (i.e. seed them), and then harvest them two (2) years later.

Having now completed this development phase, the Company's operations are starting to mature and production is coming online with the Company's first 'commercial' sized annual harvest of approximately 58,000 pearls during the financial year.

As set out in the following graph (in calendar years), the Company is entering a phase of significant growth in annual harvest production over the coming years.



With commercial levels of production now coming on-line, and significant growth ahead, Arafura Pearls has begun implementing its strategy of vertical integration. The first step in this strategy has been to develop an in-house wholesale sales and marketing capability which has now been achieved.

The cost of this has been modest with low levels of staffing and overheads required. In contrast, the benefits are numerous including not having to pay third party sales agent fees (as the Company has done previously), and being more in control of the sales and distribution process. The Company can now value add and downstream to different customers to achieve better wholesale prices than the farm gate price the Company has received historically. This is an important development and a significant opportunity for Arafura given the mark up between farm gate and retail is typically more than 4-5 times.

Revenue from Ordinary Activities

Pearl Sales

The milestones described above are reflected in the results with the highest level of pearl sales in the Company's history with pearl sales of $5.25 million in FY 2010, a 600% increase on the previous year amount of $0.86 million. This result was particularly pleasing given the very difficult commodity market the Company was operating in during the period.

This significant increase in pearl sales was the main factor in the increase in revenue from ordinary activities to $10.8 million up 55% from the previous financial year amount of $6.9 million.

MIS Management Fees

The Company established another annual Managed Investment Scheme (MIS) in FY 2010 and in a difficult environment for the sector increased applications in the MIS to $6.5m from $5.5m in the previous financial year. This increase was offset by accounting for the deferred management fees from the MIS's resulting in a reduction in total management fees overall from the previous financial year.

Profit from Ordinary Activities

The 30 June 2009 comparative figures have been re-stated in view of the change of accounting for MIS revenue, so that MIS revenue derived from the 2009 MIS has now been accounted for in the same way as revenue derived from the 2010 MIS.

The 2010 result of a ($28.2 million) loss down from a profit of $1.75 million in the previous financial year was impacted by two (2) significant accounting non-cash items.

The first was an accounting inventory revaluation downwards of the Company's production shell resulting in a non-cash accounting write down of ($28.9 million) and negatively impacting the profit result by the same amount.

The Company is required to determine and value its biological assets on an on-going basis even though they may be some time from production requiring a view to be taken on a number of variables including pearl yield assumptions, future pearl markets and the future economic environment. In light of recent market conditions, the Company decided to revise downwards the selling price per momme and exchange rates which resulted in a reduction in the carrying value of stock for accounting purposes from $49.9 million to $27.3 million. The actual final values and prices achieved from the production from these biological assets may vary materially in a positive way, particularly as the pearl market recovers going forward.

The other non cash item was an income tax benefit of $5.6m which had a positive impact on the profit result by the same amount.

Taking out these two (2) items leaves the Company with a normalised profit/(loss) of ($4.9m) for the financial year.

Corporate Activities

Arafura Pearls conducted a 1 for 1 rights issue at $0.02 raising approximately $5.1 million during the financial year to repay a bank facility and assist with the financing of the Companys continued expansion in production. As a result issued capital increased to 511 million shares on issue up from 229 million shares in the prior year.

Balance Sheet

Net assets fell from $53.4m at 30 June 2009 to $31.35m at 30 June 2010, predominantly due to the revaluation of the inventory as discussed above.

Current interest bearing liabilities decreased from $9.0m to $3.7m due to the repayment in full of the bank overdraft in the current financial year through the rights issue described above.

With the increase in issued capital, and revaluation to inventory, net tangible assets per security dropped to $0.05 per security from $0.21 in the previous financial year.

OTHER INFORMATION

NET TANGIBLE ASSETS PER SECURITY

	Financial Year ended 30 June 2010	Financial Year ended 30 June 2009
Net tangible assets	$26,133,395	$47,970,836
Number of shares on issue at reporting date	511,744,954	229,478,842
Net tangible assets per security	$0.05	$0.21

STATEMENT OF RETAINED EARNINGS

	Consolidated	
	Current period $	Previous period $
Balance 1 July 2009	8,952,977	7,199,093
Net profit for the year	(28,210,367)	1,753,884
Dividends paid	-	-
Balance 30 June 2010	(19,257,390)	8,952,977

CONTROL GAINED OR LOST OVER ENTITIES

The company did not gain or lose control of any entities during the year ended 30 June 2010

FOREIGN ENTITIES

Not applicable

ASSOCIATES AND JOINT VENTURES

At the end of the 2007 financial year, Arafura Pearls entered into a joint venture arrangement with Arrow Pearl Co Pty Ltd and associates to manage its pearling operations at Beagle Bay in the Dampier Peninsula in WA for an initial term of 2.5 years, with options at the company's election to extend the arrangement for a further 12.5 years. The Company has not elected to extend the arrangement past the initial term of 2.5 years.

ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES
ABN 88 092 266 067

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 30 June 2010 $	30 June 2009 $
Revenue	2	10,319,170	6,149,468
Net Increase / (Decrease) in market value		(28,878,617)	11,893,114
Cost of Sales		(181,385)	(87,047)
Gross Profit		(18,740,832)	17,955,534
OTHER OPERATING EXPENSES			
Employee expenses		(6,555,046)	(6,794,049)
Accounting & Audit fees		(307,955)	(53,050)
Consulting fees		(852,496)	(864,067)
Boats & charter expenses		(562,631)	(552,205)
Fuel expenses		(651,641)	(807,852)
Freight expenses		(128,101)	(186,422)
Insurances		(905,074)	(817,977)
Quota Lease		(766,487)	(859,797)
Stores expenses		(318,138)	(347,383)
Travel and accommodation expenses		(518,508)	(562,930)
ASSP direct expenses		(137,686)	(367,219)
Total operating expenses		(11,703,764)	(12,212,953)
OPERATING RESULT		(30,444,596)	5,742,581
Other Operating Income	2	467,247	776,162
Other Operating Expenses		(994,179)	(815,954)
Earnings before interest and taxes and amortisation (EBITA)		**(30,971,527)**	**5,702,789**
Depreciation expenses	3	(1,043,636)	(835,209)
Amortisation		(336,957)	(572,150)
Earnings before Interest and taxes (EBIT)		**(32,352,120)**	**4,295,431**
Net Financial Income	3	(1,440,789)	(800,323)
Earnings before taxes		**(33,792,909)**	**3,495,108**
Profit/(Loss) on sale of assets		-	136
Income tax	4	5,582,542	(1,741,360)
NET PROFIT (LOSS) FROM ORDINARY ACTIVITIES		**(28,210,367)**	**1,753,884**
OTHER COMPREHENSIVE INCOME		-	-
Tax on Comprehensive Income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(28,210,367)**	**1,753,884**
Profit attributable to members of the Parent Entity		(28,210,367)	1,753,884
Total Comprehensive Income attributable to members of Parent Entity		(28,210,367)	1,753,884
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		($0.06)	$0.02

Diluted earnings per share are not shown because potential ordinary shares on issue at the comparative balance dates are not considered dilutive.

ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES
ABN 88 092 266 067

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated 30 June 2010 $	Consolidated 30 June 2009 $
CURRENT ASSETS			
Cash assets	5	171,704	1,299,213
Receivables	6	2,240,959	5,585,542
Biological Assets	9	6,696,319	6,062,957
Inventories	7	1,125,687	7,386,355
Other Assets	5	92,801	111,852
TOTAL CURRENT ASSETS		10,595,470	20,445,922
NON-CURRENT ASSETS			
Biological Assets	9	20,413,176	43,936,386
Other financial assets	10	-	-
Property, plant and equipment	11	7,274,924	7,448,551
Intangible assets	12	5,316,353	5,646,294
Other	13	560,589	625,904
TOTAL NON-CURRENT ASSETS		33,565,041	57,657,136
TOTAL ASSETS		44,160,510	78,103,058
CURRENT LIABILITIES			
Payables	14	3,489,366	4,669,336
Interest bearing liabilities	16	3,707,936	9,045,487
Provisions	17	43,600	264,297
Other	15	2,245,295	1,795,320
TOTAL CURRENT LIABILITIES		9,486,197	15,774,439
NON-CURRENT LIABILITIES			
Interest bearing liabilities	18	2,230,615	2,564,581
Other	15	1,093,582	840,105
Deferred Tax Liabilities	4	-	5,504,481
TOTAL NON-CURRENT LIABILITIES		3,324,197	8,909,167
TOTAL LIABILITIES		12,810,394	24,683,606
NET ASSETS		31,350,117	53,419,453
EQUITY			
Contributed equity	19	49,789,416	44,020,922
Reserves		818,092	445,554
Retained Earnings	20	(19,257,390)	8,952,977
TOTAL EQUITY		31,350,118	53,419,453

ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	$	$	$	$
CONSOLDIATED GROUP	**Share Capital**	**Retained Earnings**	**Share Options Reserves**	**Total Equity**
Balance at 1 July 2009	44,020,923	8,952,977	445,553	53,419,453
Total comprehensive income for the period				
Profit or loss	-	(28,210,367)	-	(28,210,367)
Other comprehensive income	-	-	-	-
Foreign currency translation differences	-	-	-	-
Total Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	-	(28,210,367)	-	28,210,367
Transactions with owners recorded directly into equity				
Contributions by and distributions to owners				
Shares issued during the year	6,522,242	-	-	6,522,242
Transaction costs	(753,746)	-	-	(753,746)
Share-based payment transactions	-	-	372,537	372,537
Share options exercised	-	-	-	-
Total Contributions by / Distributions to Owners	5,768,497	-	372,537	6,141,034
Balance at 30 June 2010	49,789,420	(19,257,390)	818,090	31,350,119
Balance at 1 July 2008	39,101,333	7,199,093	210,360	46,510,786
Total comprehensive income for the period				
Profit or loss	-	1,753,884	-	1,753,884
Other comprehensive income	-	-	-	-
Foreign currency translation differences	-	-	-	-
Total Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	-	1,753,884	-	1,753,884
Transactions with owners recorded directly into equity				
Contributions by and distributions to owners				
Shares issued during the year	4,925,590	-	-	4,925,590
Transaction costs	(6,000)	-	-	(6,000)
Share-based payment transactions	-	-	235,193	235,193
Share options exercised	-	-	-	-
Total Contributions by / Distributions to Owners	4,919,590	-	235,193	5,154,783
Balance at 30 June 2009	44,020,923	8,952,977	445,553	53,419,453

The accompanying notes form part of these financial statements

ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES
ABN 88 092 266 067

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 30 June 2010 $	30 June 2009 $
Cash flows from operating activities			
Receipts From customers		14,026,982	2,352,885
Receipts – deferred Income		-	-
Payments to suppliers and employees		(13,037,742)	(11,814,706)
Interest received		5,690	30,602
Income Taxes Paid		-	-
Borrowing costs		(1,447,000)	(830,973)
Net cash outflow from operating activities	22	(452,070)	(10,262,192)
Cash flows from investing activities			
Payments for property plant and equipment		(869,533))	(3,151,930)
Payments/Proceeds to/from Security Deposits		(19,051)	(111,852)
Net cash outflow from investing activities		(850,482)	(3,263,782)
Cash flows from financing activities			
Proceeds from borrowings		1,776,956	3,219,000
Repayment of borrowings		(907,455)	(16,143)
Repayments under hire purchase agreements		(587,220)	(426,101)
Funds advanced to subsidiaries		-	-
Proceeds from share issues		5,846,558	4,919,590
Net cash inflows from financing activities		6,128,839	7,696,345
Net increase (decrease) in cash held		4,826,288	(5,829,629)
Cash at the beginning of the financial year	5	(4,654,579)	1,175,049
Cash at the end of the financial year	5 a)	171,709	(4,654,579)

1. PARENT INFORMATION

The following information has been extracted from the books and records of the Parent Entity and has been prepared in accordance with the Accounting Standards

BALANCE SHEET	30 June 2010 $	30 June 2009 $
ASSETS		
Current Assets	10,562,849	20,413,867
TOTAL ASSETS	44,337,943	78,372,904
LIABILITIES		
Current Liabilities	9,486,197	15,744,439
TOTAL LIABILITIES	12,810,395	24,739,160
NET ASSETS	31,527,548	53,633,744
EQUITY		
Issued Capital	49,789,419	44,020,922
Reserves	818,092	445,554
Retained Earnings	(19,079,963)	9,167,268
TOTAL EQUITY	31,527,548	53,633,744

STATEMENT OF COMPREHENSIVE INCOME

Total Profit	(19,079,963)	1,813,724
Total Comprehensive Income	(19,079,963)	1,813,724

Guarantees
Arafura Pearls Holdings Limited has not entered into any guarantees, in the current or previous financial years, in relation to the debts of its subsidiaries.

Contingent Liabilities
At 30 June 2010, Arafura Pearls Holdings Limited did not have any contingent liabilities in relation to any of its subsidiaries.

Contractual Commitments
At 30 June 2010, Arafura Pearls Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant & equipment.

	Consolidated 30 June 2010 $	30 June 2009 $
2. REVENUE AND OTHER INCOME		
Revenues from sales of pearls & pearl shell	5,252,014	857,246
APP Management Fees	5,067,156	5,292,221
	10,319,170	6,149,467
Other Revenues		
- Rebate and Subsidies	186,052	192,284
- Management & Service Fees	-	18,777
- Insurance recoveries	98,427	233,842
- Miscellaneous Income	197,309	298,564
- Foreign exchange gain(loss)	15,880	32,695
- Profit/(Loss)Sale of Plant & Equipment	(30,422)	-
Total Other Revenues	467,247	776,162
TOTAL REVENUE FROM ORDINARY ACTIVITIES	10,786,417	6,925,629

3. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

The profit (loss) from ordinary activities before income tax has been determined after charging the following items:

Borrowing costs	1,446,479	830,925
Depreciation of property, plant and equipment	1,043,636	835,215
Amortisation of capitalised leased site	7,016	7,016
Amortisation of intangible assets	329,941	329,940
Remuneration of Auditor		
- Audit and Review	94,025	51,320

4. INCOME TAX EXPENSE

Income tax expense/(benefit) is ($5,582,542) for the year ended 30 June 2010 (30 June 2009: $1,741,360). The Consolidated Entity has not elected to tax consolidate the group. The deferred tax asset attributable to tax losses arising in the parent entity has been brought to account as at 30 June 2009, and has been offset against the deferred tax liability that the income tax expense relates to.

At balance date the Consolidated Entity has $18,963,524 of prior year Australian sourced income tax losses that are available for recoupment and a current year tax loss of $6,789,627.

	Consolidated 30 June 2010 $	30 June 2009 $
Recognised in the Income Statement *in Australian dollars*		
Current Tax Expense		
Current Year	-	-
Adjustments for prior years	-	-
	-	-

Deferred Tax Expense		
Origination and reversal of temporary timing differences	305,009	51,471
Inventory Valuation	(8,818,857)	2,763,781
Benefit of year tax losses recognised	(2,036,888)	(1,074,347)
Benefit of tax losses not recognised	4,331,195	228
	(5,582,542)	1,741,360
Total income tax expense in Income Statement	(5,582,542)	1,741,360

Numerical reconciliation between income tax expense and pre-tax net profit
In Australian dollars

Profit before tax	(33,792,909)	3,495,244
Income tax expense using domestic tax rate (30%)	(10,137,873)	1,048,573
Add tax effect of:		
- Permanent differences	102,698	107,391
- Effect of tax losses derecognised/(recognised)	4,331,195	228
- Timing differences	121,439	585,168
- Prior years FITB now recognised	-	-
Less tax effect of:		
- FITB not recognised	-	-
	(5,582,542)	1,741,360
Under/(Over) provision in prior years	-	-
Income tax expense on pre-tax net profit	(5,582,542)	1,741,360

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities payable on taxable profits under Australian tax law.

Recognised Deferred Tax Assets and Liabilities
Deferred tax assets and liabilities are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
	June 2010 $	**June 2009 $**	**June 2010 $**	**June 2009 $**	**June 2010 $**	**June 2009 $**
In Australian dollars						
Accrued Income	590	884	-	-	(590)	(884)
Prepayments	85,443	5,804	-	-	(85,443)	(5,804)
Inventories	-	-	3,931,430	12,113,287	(3,931,430)	(12,113,287)
Accrued Expenses	(7,500)	(9,600)	-	-	7,500	9,600
Superannuation Payable	(43,336)	(46,921)	-	-	43,336	46,921
Provisions	(13,080)	(79,289)	-	-	13,080	79,289
Deferred Mgmt Fees	(673,589)	(790,628)	-	-	673,589	790,628
S40-880 Deductions	118,326	-	-	-	(118,326)	-
Tax value of loss carry forwards	(7,725,945)	(5,689,057)	-	-	7,725,945	5,689,057
DTA Not Recognised	4,327,660	-	-	-	(4,327,660)	-
Tax (assets) / liabilities	(3,931,430)	(6,608,807)	3,931,430	12,113,287	-	(5,504,481)
Set off of tax	3,931,430	6,608,807	(3,931,430)	(6,608,807)	-	-
Net tax (Assets) / liabilities	-	-	-	5,504,481	-	(5,504,481)

Deferred Tax Assets and Liabilities
Movements in temporary differences during the year:

Consolidated	Balance 1 July 2008 $	Recognised in income $	Recognised in equity $	Balance 30 June 2009 $
Accrued Income	-	(884)	-	(884)
Prepayments	(3,233)	(2,572)	-	(5,804)
Inventories	(9,349,507)	(2,763,781)	-	(12,113,287)
Accrued Expenses	8,700	900	-	9,600
Superannuation Payable	53,239	(6,319)	-	46,921
Provisions	65,924	13,365	-	79,289
Deferred Management Fees	847,044	(56,417)	-	790,628
Tax value of loss carry forwards	4,614,710	1,074,347	-	5,689,057
DTA Not Recognised	-	-	-	-
	(3,763,121)	(1,741,359)	-	(5,504,481)

Consolidated	Balance 1 July 2009 $	Recognised in income $	Recognised in equity $	Balance 30 June 2010 $
Accrued Income	(884)	294	-	(590)
Prepayments	(5,804)	(79,639)	-	(85,443)
Inventories	(12,113,287)	8,181,857	-	(3,931,430)
Accrued Expenses	9,600	(2,100)	-	7,500
Superannuation Payable	46,921	(3,585)	-	43,336
Provisions	79,289	(66,209)	-	13,080
Deferred Management Fees	790,628	(117,039)	-	673,589
S40-880 Deductions	-	(40,265)	(78,061)	(118,326)
Tax value of loss carry forwards	5,689,057	2,036,888	-	7,725,945
DTA Not Recognised	-	(4,327,660)	-	(4,327,660)
	(5,504,481)	5,582,542	(76,061)	-

Deferred tax assets and liabilities have been recognised, and deferred tax assets have been offset against deferred tax losses. The benefit from taxation losses will only be obtained if:

(i) the Parent Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
(ii) the Parent Entity continues to comply with the conditions for deductibility imposed by tax legislation; and
(iii) no changes in tax legislation adversely affect the Parent Entity in realising the benefit from the deductions for the losses.

	Consolidated 30 June 2010 $	Consolidated 30 June 2009 $
5. CASH ASSETS		
Cash on Hand	589	241
Cash at Bank	171,118	1,298,977
	171,707	1,299,218

5 a) Reconciliation of Cash

	2010 $	2009 $
Cash on hand & at bank	171,707	1,299,218
Bank Overdraft	-	(5,953,797)
	171,707	(4,654,579)

5 b) OTHER ASSETS

	2010 $	2009 $
Security Term Deposits	92,801	111,852

6. RECEIVABLES

	2010 $	2009 $
Current:		
Trade debtors	1,152,557	4,715,795
Other debtors	54,778	111,400
Loan accounts	(8,870)	(1,043)
Prepayments	1,042,494	759,390
	2,240,959	5,585,542

7. INVENTORIES - Current

	2010 $	2009 $
Stock on hand	1,125,687	7,386,355

Stock on hand consists of harvested pearls and nuclei.

8. RECEIVABLES

	2010 $	2009 $
Amount Due Controlled Entity	-	-

9. BIOLOGICAL ASSETS – Current

	2010 $	2009 $
Stock on Hand	6,964,319	6,062,957

Stock on hand comprises the estimated value for pearls to be harvested in the next 12 months. The ability of the Parent Entity to recover the value attributed to stock on hand is dependent upon the sale of pearls for amounts in excess of the book value recorded above.

BIOLOGICAL ASSETS – Non-current

	2010 $	2009 $
Stock on Hand	20,413,176	43,936,386

Stock on hand comprises pearl shell, spat and pearl oysters under cultivation. The ability of the Parent Entity to recover the value attributed to stock on hand is dependent upon the successful development and ultimately sale of pearls for amounts in excess of the book value recorded above. Stock on hand has been accounted for in accordance with the requirements of AASB 141 “Agriculture”

10. OTHER FINANCIAL ASSETS

Shares – Controlled Entities	-	-	501,004	501,004

Controlled Entities	Country of Incorporation	Percentage Owned (%) 2010	2009
Parent Entity:			
Arafura Pearls Holdings Ltd	Australia	-	-
Subsidiaries of the Parent Entity:			
Arafura Securities Ltd	Australia	100	100
Pearl Management Australia Pty Ltd	Australia	100	100
Arafura Pearls Pty Ltd	Australia	100	100
Arafura Pearls Licensing Pty Ltd	Australia	100	100

Shares in controlled entities are Available for Sale financial assets, the fair value of which cannot be reliably measured as variability in the range of fair value estimates is significant. As a result shares in controlled entities are reflected at cost.

11. PROPERTY, PLANT & EQUIPMENT

	Consolidated 30 June 2010 $	30 June 2009 $
Plant and equipment at cost	10,496,060	9,633,228
Less: Accumulated depreciation	(4,533,601)	(3,536,806)
	5,962,459	6,096,392
Buildings	1,695,675	1,695,248
Less: Accumulated depreciation	(383,208)	(343,514)
	1,312,467	1,352,161
Total Property, Plant and Equipment	7,274,926	7,448,553
Plant and Equipment		
Opening balance	6,096,392	3,720,813
Disposals	(57,823)	(59,753)
Depreciation	(1,003,942)	(795,520)
Additions	927,832	3,230,852
Closing balance	5,962,460	6,096,392
Buildings		
Opening balance	1,352,161	1,391,428
Additions	-	427
Depreciation	(39,694)	(39,694)
Closing balance	1,312,467	1,352,161

12. INTANGIBLE ASSETS

Formation expenses	3,215	3,215
Licences	6,821,429	6,821,429
Less: Accumulated Amortisation	(1,508,291)	(1,178,350)
Total Intangible Assets	5,316,353	5,646,294

13. OTHER NON-CURRENT ASSETS

	Consolidated 30 June 2010 $	Consolidated 30 June 2009 $
Site development costs	280,666	280,666
Less: Accumulated depreciation	(71,914)	(64,898)
	208,752	215,768
Boats under construction	335,035	393,335
Airstrip	16,801	16,801
	560,589	625,904

14. PAYABLES

Current		
Trade Creditors	1,263,364	2,900,198
Other Creditors	1,415,337	917,324
Accrued Expenses	810,665	851,813
	3,489,366	4,669,336

15. OTHER LIABILITIES

Current		
Deferred Management Fee	2,245,295	1,795,320
Non - Current		
Deferred Management Fee	1,093,583	840,105

16. INTEREST BEARING CURRENT LIABILITIES

Convertible Notes – secured	1,598,311	2,446,000
Hire Purchase - secured	609,625	645,690
Loan – secured	1,500,000	-
Bank Overdraft – secured	-	5,953,797
	3,707,936	9,045,487

Convertible Notes secured by registered charges over the assets of the Company
Hire purchase liabilities secured by registered charges over the mortgaged equipment.
Loan – secured over assets of the Company
Bank Overdraft is secured by a registered first debenture charge over the assets of the company.

17. PROVISIONS

Employee Entitlements	43,600	264,297
Income Tax	-	-
	43,600	264,297

18. INTEREST BEARING NON-CURRENT LIABILITIES

Hire Purchase – secured	2,183,271	2,507,470
Other Loan - secured	47,345	57,111
	2,230,616	2,564,581

Convertible Notes secured by registered charges over the assets of the Company
Hire purchase liabilities secured by registered charges over the mortgaged equipment.
Other Loan – NT Govt Cyclone Relief Loan – secured by registered charge over the assets of the Company.

19. CONTRIBUTED EQUITY

	Parent Entity		Parent Entity	
	June 2010 Shares	June 2009 Shares	June 2010 $	June 2009 $
• Issued Capital Ordinary Shares – fully paid	511,744,954	229,487,842	$49,789,419	44,020,922

20. CONTRIBUTED EQUITY cont

(a) Movements in Ordinary Share Capital of the Parent Entity during the past two years were as follows:

Date	Details	Notes	Number of Shares	Issue Price	$
30/06/2008	Balance		130,976,052		39,101,333
	Rights Issue		45,394,737	5c	2,269,737
	Rights Issue		36,687,053	5c	1,834,353
	Rights Issue		11,430,000	5c	571,500
	Share issue expenses				(6,000)
	Rights Issue		5,000,000	5c	250,000
30/06/2009	Balance		229,487,842		44,020,923
	Share Issue		18,150,000	5c	907,500
	Share Issue		7,800,000	5c	390,000
	Share Issue		1,600,000	5c	80,000
	Share Issue		1,000,000	5c	50,000
	Rights Issue allotment		253,707,112	2c	5,074,142
	Share proceeds received, Shares issued after year end				20,600
	Share Issue expenses				(753,746)
30/06/2010	Balance		511,744,954		$49,789,419

	Consolidated	
	30 June 2010 $	30 June 2009 $

21. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	8,952,977	7,199,093
Net profit/(loss) attributable to members of the Parent Entity	(28,210,367)	1,753,884
Retained Profits / (Accumulated Losses) at 30 June 2010	(19,257,390)	8,952,977

22. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO OPERATING PROFIT / (LOSS)

	Consolidated 30 June 2010 $	30 June 2009 $
Operating Profit (Loss) After Income Tax	(28,210,367)	1,753,884
Adjustments		
Movement in Provision for Income Tax	(5,582,542)	1,741,360
Deferred Management Fee - ASSP	703,453	(188,055)
Non Cash Changes Debtors & Creditors	1,943,917	(3,011,436)
(Increase) Decrease in inventories	28,882,516	(11,965,303)
Loss on sale of Assets	57,823	-
Write down in value of Subsidiary	-	-
Depreciation	1,043,636	835,209
Amortisation	709,495	572,150
Net Cash Provided by Operating Activities	(452,070)	(10,262,192)

ARAFURA PEARLS HOLDINGS LIMITED and CONTROLLED ENTITIES
ABN 88 092 266 067

COMPLIANCE STATEMENT

1. This report, and the accounts upon which it is based, have been prepared in accordance with AASB Standards and other AASB authoritative pronouncements.

2. This report, and the accounts upon which it is based, use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed.

4. This report is based on accounts that are in the process of being audited.

5. The entity has a formally constituted audit committee.

Signed

Director   Date: 31st August 2010

Name: Andrew Hewitt