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Wealth Focus Pty Ltd
Reply Paid 760
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Arafura Pearl Project 2009 Product Disclosure Statement

ARSN 136 002 938

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

If you do not understand it you should consult your professional advisers without delay.

Arafura Pearls Holdings Limited ABN 88 092 266 067

Important Notice

This Product Disclosure Statement (PDS) contains important information about investing in the Arafura Pearl Project 2009 (ARSN 136 002 938) (Project). It should be read carefully and in its entirety. Before deciding whether to invest in the project you should consider whether investing in the project is suitable for you. If you are unfamiliar with investments of this kind or if after reading this you are unsure whether or not you should invest, you should consult your licensed financial adviser.

This PDS is dated 8 April 2009 and is issued by the Responsible Entity, Arafura Pearls Holdings Limited (ABN 88 092 266 067). Except for those parts of the PDS consisting of, or based on reports from experts, the Responsible Entity is responsible for its contents.

An investment in the project is speculative and prospective. The investment is for the medium to long term with an expected project life of approximately 6.5 years. The Responsible Entity does not have any obligation to purchase grower's interests in the project. No person, firm or corporation associated with this PDS guarantees, warrants or underwrites the performance of the project or any particular investment return from this PDS.

Website — Electronic PDS

A copy of this PDS can be downloaded from the website of the Responsible Entity at www.arafurapearls.com.au. Any person accessing the electronic version of this PDS for the purpose of making an investment in the project must be an Australian resident and must only access the PDS from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this PDS or it accompanies the complete and unaltered version of this PDS. Any person may obtain a hard copy of this PDS free of charge by contacting the Responsible Entity.

Investment Component

The Responsible Entity does not intend to take into account labour standards or any material environmental, social or ethical considerations for the purpose of selecting, retaining or realising an investment in the project, other than those considerations ordinarily taken into account by an entity operating in the pearling industry.

Australian Financial Services Licence

The Responsible Entity has been granted an Australian Financial Services Licence (No. 296246) by the Australian Securities and Investments Commission (ASIC) which authorises the Responsible Entity to act as responsible entity for the project and provide general advice in relation to the project. The Responsible Entity is not authorised to provide personal advice to individual retail investors. You should consult your financial adviser, lawyer or accountant to determine whether this investment is appropriate having regard for your personal investment objectives, financial situation, and particular needs.

Corporate Directory

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1. Arafura Pearl Project 2009

The Arafura Pearl Project 2009 (project) has been established by leveraging off the Responsible Entity's existing operation to provide applicants (growers) with an opportunity to carry on the business of commercially cultivating and producing the world's most valuable pearls, Australian south sea pearls.

This Product Disclosure Statement (PDS) sets out the structure and operation of the project. You should read this document in its entirety and consult with your financial advisers before deciding whether to subscribe in this project.

1.2 Key Features

- (a) 100% tax deductibility for growers subscriptions monies in accordance with the product ruling;
- (b) participation in a mature and successful Australian industry with high barriers to entry and limited production through a quota system;
- (c) growers able to leverage off Responsible Entity's existing operation and expertise to cultivate and produce Australian south sea pearls;
- (d) project life of approximately 6.5 years (2 main harvests);
- (e) ongoing costs (except insurance) deferred against harvest proceeds for grower convenience and calculated as a percentage of harvest proceeds to further align the Responsible Entity's interests with growers;
- (f) the Responsible Entity will provide growers with a minimum number of oysters for the first 18 months of the project;
- (g) non-electing growers able to access the Responsible Entity's sales and distribution network.

1.3 Project Structure

An applicant who applies under this PDS (for a minimum of two project interests) and whose application is accepted by the Responsible Entity enters into a management agreement with the Responsible Entity pursuant to the Power of Attorney. Under the management agreement the grower contracts the Responsible Entity to establish their pearl farms by allocating spat (juvenile shell) for them and conveying to them a number of oyster panels in accordance with their project interests. The oysters allocated to the grower will be identifiable by reference numbers which shall be recorded and kept by the Responsible Entity on a plan of the pearl farm.

The Responsible Entity will seed the oysters (the main operations will occur approximately 2 and 4 years (respectively) after commencement of the grower's management agreement) and will carry on the management and maintenance of each grower's pearl farm until the spat mature and produce two pearl harvests. The Responsible Entity will then market and sell the pearls harvested (unless the grower elects to collect the pearls for their own purposes) and the net harvest proceeds will be distributed to growers. On completion of the two pearl harvests and distribution of proceeds to growers, the management agreement and the project will automatically end (approximately 6.5 years after commencement).

The pearl farm is located at Elizabeth Bay in north-east Arnhem Land in the Northern Territory where the Responsible Entity has been operating its existing pearl farm and hatchery operation for over 9 years.

1.4 Applications

To apply for project interests, please use the application forms attached to or accompanying this PDS.

1.5 Project Timetable

Key project dates are set out below:

Event	Date
Last day for applications ⁽¹⁾	15 June 2009
Payment for interest/s	15 June 2009
First operation ⁽²⁾	2 years
First harvest and second operation ⁽²⁾	4 years
Second harvest ⁽²⁾	6 years

(1) The Responsible Entity is required to place the graded spat onto the oyster panels and then transport them onto the long lines in the ocean. These works shall require a maximum of two weeks, based on the maximum subscription.

(2) The timing of these events is an estimate from the commencement date. Actual timing is subject to fisheries regulations, oyster health and seasonal conditions.

2. Project Overview

The following provides an overview of the project. Please note you should read this document in its entirety to fully understand the project. All figures are exclusive of GST.

Offer	Opportunity to become an Australian south sea pearl producer (grower) by applying for a minimum of two (2) project interests on the terms and conditions set out in this PDS.
Offer opens	8 April 2009.
Offer closes	15 June 2009 unless the Directors determine to close the offer period earlier.
Commencement date	The commencement date for the project is the date the Company enters into a management agreement with a grower, it being intended that this will occur on or about 15 June 2009.
Project term	Approximately 6.5 years from commencement with harvests in yrs 4 and 6.
Applications	To make an application you must apply for at least two (2) project interests and you must complete the application forms attached at the back or accompanying this PDS and pay the subscription sum per interest. See section 6 for more information on how to apply.
Minimum application price	A minimum application price to participate in the project of \$12,600 (plus GST) applies comprising of a minimum application for 2 project interests per grower.
Subscription sum / application price	Is the sum of \$6,300 (plus GST) per project interest. As noted above, the subscription sum must be for at least the minimum application price.
Payment by instalments	Application may be made to the Responsible Entity to pay the application money sum by instalments under a terms payment facility. See section 6 for further information and terms and conditions.
Project interest	Each project interest entitles the applicant to 405 separately identifiable spat at the commencement date, 13 oyster panels and at least 177 spat after 18 months .
Annual fees	There are no annual fees applicable.
Ongoing fees (incurred on harvest)	The project's ongoing fees largely consist of a deferred management fee, a sales and marketing fee and a bonus. These ongoing fees (except insurance) are deferred against harvest proceeds for grower convenience, and calculated as a percentage of harvest proceeds. See section 8 for more information on the structure of ongoing fees.
Tax deduction per project interest	100% upfront deduction in accordance with the product ruling. See section 7 for further details on taxation.
Number of project interests available	2350.
Minimum subscriptions and oversubscriptions	There is no minimum subscription as it is an existing project. There is however a minimum application of two (2) project interests required. Oversubscriptions may be accepted subject to the availability of oysters and quota.
Acceptance of application	The Responsible Entity will provide growers with details of their project interests in due course.
Project management	Arafura Pearls Holdings Ltd is the Responsible Entity and issuer of this PDS, and the project manager and will be responsible for all aspects of the project over the term. See section 5 for more information on the Responsible Entity.

Project location	<p>At the Responsible Entity's existing pearl farm and hatchery operation at Elizabeth Bay, north-east Arnhem Land, Northern Territory where it has been operating for over 9 years.</p> <p>See section 5 for more information on the Responsible Entity's existing pearl farm.</p>
Management services over project term	<p>Over the project term, the Responsible Entity will supervise and manage all commercial pearling activities to be carried on by the grower on the grower's pearl farm.</p> <p>The Management Services comprise:</p> <ul style="list-style-type: none"> ▪ the initial management services; and ▪ the ongoing management services.
Initial management services	<p>The initial management services will be performed in the period from commencement to 30 June 2009 and will be services to assist the establishment of the grower's pearl farm including:</p> <ul style="list-style-type: none"> ▪ Establishment of management records and a specialised data base in respect of the spat (oyster shell) allocated to the grower; ▪ Access to the Responsible Entity's quota providing growers with approximately 100 seeded oysters per project interest; ▪ Transfer of graded grower oysters, being 405 Spat for each project interest, from collectors to panels; ▪ Maintenance and operation of all required land and sea based equipment for the operation of the grower's pearl farm.
Ongoing management services	<p>The ongoing management services will be performed for the balance of the term (once the initial management services have completed) and will comprise services to maintain, operate and administer the grower's pearl farm including:</p> <ul style="list-style-type: none"> ▪ management and husbandry services required to maintain grower oysters for the project term (approximately 6.5 years). ▪ subject to the Responsible Entity's assessment of the oyster, the first seeding will occur approximately 2 years after commencement. ▪ The Responsible Entity will conduct the pearl harvest produced from the first seeding approximately 4 years after commencement. ▪ After the first harvest, subject to the Responsible Entity's assessment of grower oysters, a second seeding will be performed on these shell approximately 4 years after commencement. ▪ The Responsible Entity will harvest pearls produced from the second seeding approximately 6 years after commencement.
Management agreement	<p>The Responsible Entity will enter into a management agreement with each grower under Power of Attorney on acceptance into the project.</p> <p>See section 11 for more detail on the management agreement.</p>
Minimum number of shells	<p>Within 18 months of the commencement date, any deceased oysters will be replaced to ensure that each grower has at least 177 oysters on hand for each project interest held by the grower.</p>
Harvest, sales & marketing	<p>Arafura will harvest your pearls approximately 4 and 6 years after commencement of the project.</p> <p>For non-electing growers, Arafura will sell and market grower pearls for them using its established sales and distribution network.</p> <p>A sales and marketing fee applies for this service. Please refer to section 8 for information on these fees.</p>

Proceeds	<p>The harvest from non-electing growers will be pooled and marketed on a collective basis.</p> <p>Non-electing growers will be entitled to a proportional interest in net harvest proceeds based on the number of commercial grade pearls produced from their project interests and the total number produced from all non-electing growers' project interests.</p>
Project returns	<p>Project returns will result from a number of variables many of which are outside the control of the Responsible Entity. Accordingly, the Responsible Entity is not in position to forecast potential project returns.</p> <p>Growers should consult with their financial advisers and any available research when considering potential project returns.</p>
Risks	<p>The project is a long term aquaculture activity with all the normal risks associated with such a venture.</p> <p>See sections 3 and 10 for more information on the key risks.</p>
Material contracts	<p>The project has a Constitution which governs the rights of growers and the operation of the project, subject to any overriding legislation, along with other material contracts.</p> <p>See section 11 for more information on material contracts.</p>
Contact us	<p>Arafura Pearl Project 2009 PO Box 1099, Subiaco, WA 6904 Suite 25, Level 3, 22 Railway Road, Subiaco, WA 6008 Telephone: (08) 9382 4818 Facsimile: (08) 9388 6456</p>
Web site	<p>www.arafurapearls.com.au</p>

3. Key Benefits and Risks of Project

This section sets out some of the key benefits and risks for growers who participate in the project. Please note this is a summary and you should read this document in its entirety to fully understand the benefits and associated risks of the Project.

KEY BENEFITS

Australian Taxation Office Product Ruling	<p>The ATO issued Product Ruling 2009/16 regarding the project on 1 April 2009. Product rulings are binding rulings on the tax implications of the project and confirm the 100% deductibility of the grower subscriptions, and interest on borrowings, as set out in the rulings.</p> <p>See section 7 for more information on the product rulings.</p>
Tax effective investment	<p>The project provides for 100% deductibility of the subscription sum.</p> <p>See section 7 for more information on the tax implications of the project.</p>
Mature successful industry	<p>Pearling is one of Australia's most valuable aquaculture activities, having been conducted since the mid 1950's.</p> <p>See section 4 for more information on the Australian pearling industry.</p>
Australia's competitive advantage	<p>Australian south sea pearls are the most valuable pearls in the world due to their superior size, lustre, colour, shape and complexion.</p> <p>These pearls are produced by the Australian version of the <i>Pinctada maxima</i> shell.</p> <p>Australian south sea pearls are produced in very isolated areas in the north and west of Australia in some of the most pristine waters in the world.</p> <p>The Australian pearl industry is the only industry in the world with a quota system which restricts production and ensures the sustainability of the market and its prestige as a luxury item.</p>
Barriers to entry	<p>The Australian pearling industry has very high barriers to entry with limited farm sites available, and a finite amount of quota which is required to be able to put shell into production.</p> <p>Another significant barrier is the capital requirements of establishing a modern pearl farming operation.</p> <p>These barriers support the long term sustainability of the Australian pearl market.</p> <p>Growers can overcome these barriers by accessing the Responsible Entity's existing operation and quota, through this project.</p>
Access existing project	<p>The Responsible Entity has been operating a pearl farming and hatchery operation for over 9 years at Elizabeth Bay in north-east Arnhem Land in the Northern Territory.</p> <p>The farm has a state of the art hatchery, and significant pearl farm infrastructure and stock.</p> <p>Growers can leverage off the Responsible Entity's existing project to become pearl farmers in their own right through this project.</p> <p>See section 5 for more information on the Responsible Entity's existing operation.</p>

Access management expertise	<p>The Responsible Entity is an ASX listed public company with net assets of more than \$46 million at 30 June 2008. It has been running the existing operation for more than 9 years.</p> <p>The Responsible Entity has access to 235 units of quota, making it the largest quota holder in the Northern Territory, and the second largest in Australia after the Paspaley Group.</p> <p>The Responsible Entity's board includes Directors with pearling, commercial and MIS expertise. Their collective background includes an ownership interest in a Western Australian pearling operation, extensive experience in commercial dealings and capital markets, former directorships at Great Southern Plantations and the Western Australian Chamber of Minerals and Energy, and senior positions with both Paspaley and Kailis Pearling.</p> <p>There are typically between 30 and 40 staff on site at all times at the farm including a general manager, hatchery manager, farm manager and production and growout manager.</p> <p>See section 5 for more information on the Responsible Entity.</p>
Deferred income streams	<p>Subject to project risks and fees, the project will produce harvests 4 years and 6 years after commencement, and growers will receive harvest income approximately 6 months after these harvests. The existence and level of this income cannot be predicted as it will be dependent on a number of factors some of which are outside the control of the Responsible Entity.</p>
Limited project life	<p>The project has a term of approximately 6.5 years. This should be considered a long-term investment.</p>
Deferred fees	<p>For grower convenience, all ongoing fees are deferred against harvest proceeds. In addition, the fees are calculated as a percentage of the harvest proceeds which strongly aligns the Responsible Entity's interests with the growers to maximise harvest returns.</p> <p>See section 8 for more information about the project fees.</p>
Minimum number of shell	<p>Within 18 months of the commencement date, any deceased oysters will be replaced to ensure that each grower has at least 177 oysters on hand for each project interest held by the grower.</p> <p>This enables each grower to have sufficient oysters available for seeding to produce 100 seeded shell per project interest 2 years after commencement.</p>
Pooling advantages	<p>All non-electing grower pearls will be pooled and marketed collectively, with growers entitled to harvest proceeds based on the number of commercial grade pearls contributed to the harvest from their project interests.</p> <p>Pooling the harvest will make grower pearls more marketable, with an increased likelihood of achieving higher overall prices.</p>
Access sales methodology	<p>The Responsible Entity will be the sales and marketing agent for all non-electing grower pearls, and these growers can benefit from the Responsible Entity's sales and marketing relationships and network.</p>
Access independent pearling expert	<p>The Responsible Entity has engaged an independent expert to provide growers with an independent review of the existing pearling operation and infrastructure.</p> <p>The independent expert is confident the project will achieve its production objectives subject to it continuing to be well managed and not being subjected to unfavourable environmental conditions.</p> <p>The independent expert report can be found at section 9.</p>

KEY RISKS

Environmental damage	Oysters are sensitive animals and are vulnerable to the slightest change in their environment. While the Responsible Entity has located the pearl farm in an isolated area and monitors water quality, there still exists the risk that environmental damage could occur which could destroy or severely damage oysters in the pearl farm.
Weather	The pearl farm is located in a tropical area which can experience cyclone and other storm activity. Such storms can damage oysters and the physical farm facilities.
Technical risks	Pearl farming requires sound technical judgement to maximise oyster survival and pearl quality. There is a risk that the procedures put in place may not be adequate which could result in loss of oysters and poor pearl harvests.
Disease	Oysters are vulnerable to potential marine diseases which could impact the survival of oysters and pearl harvests.
Safety	The pearl farm is located at Elizabeth Bay in the Northern Territory in a remote environment, illness and accidents can have a detrimental impact on the operation of the project.
Loss of key staff	The pearl farm is dependent on skilled and experienced staff. If a key staff member was to leave, then the ability of the Responsible Entity to continue the pearl farming operations may be adversely affected.
Management expertise	Growers are dependent on the ongoing ability of the Responsible Entity to direct the operations of the project. Low quality in management by the Responsible Entity may adversely affect the ongoing operations of the project.
Default by Responsible Entity	If the Responsible Entity defaults under the management agreement then the viability of the project may be temporarily affected. Under the management agreement, subject to a number of conditions the growers have the right to appoint a new Responsible Entity.
Competition	Other countries in Southern Asia also farm pearls and to some extent compete with Australian production. Increased competition may result from an increase in the supply of pearls which may in turn affect prices for pearls harvested under the project.
Currency fluctuations	Grower's pearl production will most likely be exported and will be subject to the currency fluctuations which may affect the price and demand of Australian pearls in the export arena.
Taxation risk	The ATO has issued Product Ruling 2009 / 16 in relation to the project. The product ruling requires the Responsible Entity to strictly abide by the terms of the product ruling. If the Responsible Entity fails to abide by the terms of the ruling then the ATO could withdraw the ruling.
Regulatory risk	The Northern Territory pearl industry is regulated through the use of a quota system. Changes to the quota system may impact production levels and prices of pearls.
Security	Pearls are a high value product with the risk of theft ever present.

4. Pearl Industry Overview

4.1 Note on Information

Please note that the following sections on the Australian south sea pearl industry are provided as a brief introduction and overview of the industry and are not intended to be exhaustive. Due to the “private” nature of both the Australian and world industry, industry data can be difficult to source and is usually estimated. Accordingly, the following information should be used as a general guide only.

4.2 Australian Industry History

The pearling industry in Australia began in the 1850's when oyster beds of the naturally occurring (wild) pearl shell, *Pinctada maxima*, were discovered off Shark Bay. The shell was fished for its mother of pearl for use in buttons and inlays with the collection of natural pearls a welcome but extremely rare by-product of the industry.

For the next 50-80 years, the industry flourished, and expanded across the coast of the Northern Territory, and the top end of Queensland and around to Cairns with the discovery of new oyster beds. By the early 1900's, it is estimated that Australia provided more than half of the world's pearl shell. By 1910, there were 400 luggers and 3500 people fishing for pearl shell in Broome alone.

By the 1930's and 40's, the industry was in decline with the onset of World War II disrupting supply, and the Great Depression significantly reducing demand. By the 1950's, the industry virtually ceased to exist. The Northern Territory and Queensland oyster beds had been largely fished out, and fishing for shell had become uncommercial as plastic replaced mother of pearl in products.

Meanwhile, since the early 1900's, Japanese and Australian pearlers and scientists had been experimenting and developing pearl culturing techniques and these techniques were finally proving to be commercially viable. Australia's first pearl farm was established in 1956 at Kuri Bay, 200 kilometres north-west of Derby in Western Australia which was producing 60% of the world's finest south sea pearls by 1973. In the mid 1960's, the first pearl farm was established in the Northern Territory by Paspaley Pearls.

The 1970s and 1980s saw a rationalisation in the pearling industry in Australia as fluctuating demand for pearls, caused by movements in the yen-dollar exchange rate, prompted smaller farms to sell their operations to larger concerns.

The early 1980's saw the introduction of a license and quota system in Western Australia limiting the number of wild shell which could be fished for pearl cultivation. This system was introduced into the Northern Territory in the late 1980's.

The next stage of development for the pearl industry was the development and commercialisation of hatchery technology. Commercial seeding of hatchery produced oysters commenced in Australia in 1994, easing the reliance on wild shell stock.

Hatchery quota was issued to existing licensees to allow them to take advantage of this new technology, while still providing regulation of the level of production by the industry. Currently, there are a number of hatcheries operating in Western Australia and one in the Northern Territory which is owned and operated by the Responsible Entity.

4.3 Australian Pearl Culturing Process

The first step in Australian pearl farming is to source *Pinctada maxima* pearl oyster shell in which to cultivate pearls. In Australia, shell can either be sourced by drift divers from oyster beds occurring naturally in the wild (wild shell), or from hatchery shell grown out on farm sites for approximately 2 years (hatchery shell).

Once mature virgin shell have been sourced, they will be seeded during the seeding season between May to September of each year. Seeding involves each oyster being carefully opened by a skilled technician. A small incision is made in the gonad of the oyster and in it is placed a nucleus and a piece of mantle tissue from another pearl oyster.

After approximately 2 years of shell husbandry and cultivation of the nucleated shell from the time of seeding, the shell will be harvested for pearls. Subject to selection criteria by the seeding technician, a second and usually larger nucleus can then be placed back into the developed pearl oyster sac and the cultivation process re-starts for another 2 years. Typically oysters are not reseeded more than twice.

4.4 Hatchery Shell

Hatchery based operations such as the Responsible Entity, produce its shell using the latest marine technology rather than relying on the natural resource of wild shell. The production of hatchery shell starts during the spawning season where broodstock spawn in a controlled hatchery environment to produce larvae which settle in tanks. Once the larvae have grown into spat of a certain size they are transferred out of the controlled hatchery environment and into the farm sea area in cages and panels. The spat are grown out for approximately 2 years after spawning, at which time these shell will be mature enough to be seeded to produce pearls as set out above in section 4.3.

4.5 Australian Pearl Production

Pearls are Australia's second largest fisheries export product by gross value after the rock lobster with approximately \$314 million worth of pearls exported in 2006 / 2007 (Australian Bureau of Agricultural and Resource Estimates, 2008). Subject to currency and price movements, the Australian cultured pearl industry produces approximately AUD\$250 million in pearls in wholesale value each year, By volume, Australia produces approximately 1500 kan of south sea pearls per annum.

In Western Australia, pearl oyster quota consists of 572,000 wild stock oysters and 350,000 hatchery oysters. In the Northern Territory there is a total quota of 120,000 wild stock oysters and 300,000 hatchery oysters. Based on quota, a maximum of 1,342,000 virgin pearl oysters can be put into production each licensing year.

The oyster quota in the Northern Territory and Western Australia is closely held by a small number of producers. The two largest quota holders in Australia, being the Paspaley Group, and the Responsible Entity have access to approximately 80% of the available quota either directly or indirectly, with the remaining quota spread among a few other farmers.

The quota system caps Australian production which supports the Australian south sea pearl market and ensures the long term sustainability of the industry. This restriction in production has led to Australian producers making a concerted effort to produce the best quality pearls by trying to maximise the overall quality, size and colour of their production.

4.6 World Production

Worldwide commercial production is made up of four main pearl varieties: South Sea, Akoya, Black and Freshwater:

Pearl	Oyster	Main Source	Colour	Size Range
South Sea	<i>Pinctada maxima</i>	Australia Indonesia Myanmar Philippines	Silver Gold	10 - 20mm
Akoya	<i>Pinctada imbricata</i>	Japan China	Silver Pink	2 - 10mm
Black	<i>Pinctada margaritifera</i>	Tahiti Cook Islands	Black Various	8 - 15mm
Freshwater	Various types of mussels (not oyster)	China Japan	Various	2 - 12mm

Total world pearl production is estimated to be approximately 1200 - 1500 tonnes in weight with a total wholesale value of approximately \$800-900 million.

Australian south sea pearls are the largest pearl variety in the world typically ranging in size from 10mm to 20mm. Other south sea pearls (e.g. Indonesian) are the next largest in size followed by black pearls and Japanese akoya pearls. Australian south sea pearls are also the most valuable pearls produced in the world based on their superior size, lustre, roundness, surface perfection and colour.

The prestige and quality of Australian south sea pearls are reflected by the fact that Australian south sea pearls account for less than 1.0% of the world production by weight but approximately 30% by value. In comparison, the next most valuable variety, other south sea pearls (eg Indonesian), typically achieve approximately 50% of Australian pearl prices.

The rest of world production by value is made up of other white/gold south sea pearl varieties (such as Indonesia, Philippines and Myanmar), black pearls from French Polynesia, and akoya pearls from Japan and freshwater pearls from China.

The very low value Chinese freshwater pearls dominate world production by weight being estimated to make up more than 95% of the world market.

In contrast to the Australian industry, world production is largely unregulated which has resulted in unsustainable practices and over production occurring in some regions. For instance, akoya pearl production in Japan has dropped by approximately 60% in the past decade as environmental factors such as polluted waterways have significantly affected production. In contrast, black pearl production in French Polynesia has tripled over the past decade, but this rapid increase in supply, along with lower overall quality product, resulted in significant reductions in pearl prices for this variety. The Tahitian government has introduced quality controls on the export of its product which has stabilised its industry to some extent.

4.7 Australian Regulatory Environment

Unlike the rest of the world, the Australian pearling industry is highly regulated through the use of a quota system. Each producer must hold a pearling licence from the relevant state government body, with quotas set for both wild oyster and hatchery oysters.

The quota system limits the number of shell which can be put into production each licensing year. It is designed to protect naturally occurring oyster stocks and the long term sustainability of the Australian south sea pearl market and is rigorously enforced.

Regulatory Summary	WA	NT	Total
Wild oyster quota	572,000	120,000	692,000
Hatchery quota	350,000	300,000	650,000
Total oyster quota	922,000	420,000	1,342,000

A review of the Western Australian Pearling Act 1990 was completed in 2000 within the framework of the National Competition Policy. This review confirmed that the regulations and restrictions associated with wild stock oysters were justified. The State and Territory governments are in the process of completing a policy review to determine any update to hatchery quota regulation.

4.8 Sales & Distribution

Prior to the introduction of auctions most Australian pearls were sold to Japanese dealers by private negotiation with the farmer. The Japanese dealers would then distribute these pearls to wholesalers in Asia, Europe and North America.

In more recent years, Australian producers have marketed some or all of their product through an auction system. Auctions may be conducted by a trading organisation, with a number of producers attending, or they may be conducted by a single producer. Auctions are tightly controlled, with only genuine pearl wholesalers invited to attend. The wholesaler will then break these large parcels of pearls down into smaller parcels for resale to other wholesalers, retailers or jewellery manufacturers.

A limited number of producers have also established strategic alliances with key wholesalers in Europe and North America and have jointly developed marketing and branding strategies in conjunction with these wholesalers.

In some instances a number of producers have also established “boutique” retail outlets.

4.9 Pearl Grading and Value

Pearls are measured in size by millimetre and/or by weight, described as a “momme” which is a traditional Japanese unit of measurement equalling 3.75 grams. Pearl prices are typically quoted in Yen per momme.

While there is no universal grading system, the key criteria in grading pearls are lustre (orient), complexion, shape, colour and size. In general, the better the lustre, the larger a pearl is, the closer it is to being spherical and the better the complexion, the more valuable it will be. Pearl prices vary significantly across pearl grades but producers typically quote an average pearl price per momme achieved from total saleable product.

Australian south sea pearls command premium prices in the world pearl market. In the early to mid 90’s the average price for Australian south sea pearls was approximately 30,000 Yen per momme. Due to weaker global economies and other world events, the average price has almost halved in recent years to approximately 18,000 Yen per momme.

The principal use for pearls is in jewellery such as strands, necklaces, earrings, and rings. Pearls are classified as rare gems, and are the third major jewellery category after diamonds, and gold.

5. Arafura Pearls

5.1 Overview

Arafura Pearls Holdings Ltd (Arafura Pearls) is the Responsible Entity and Project Manager of the project under authority by Australian Financial Services Licence no. 296246. This is the fourth project offered by Arafura Pearls after a small wholesale offering to sophisticated investors in 2005, and the first retail offering in 2006.

Arafura Pearls is an ASX listed public company which at 30 June 2008 had in excess of \$46 million in net assets. Arafura Pearls owns 140 units of quota, and has access to another 95 units of quota through lease arrangements making it by access to quota the largest farmer in the Northern Territory and second largest farmer in Australia after Paspaley.

5.2 Existing Pearling Operation

Growers who participate in the project are leveraging off Arafura Pearls' existing pearling operation. Accordingly, the risk profile of the project is significantly reduced with the infrastructure already in place and the farm already established and operating for over 9 years.

Growers are not contributing in any way to the capital infrastructure of the operation as they might in a "greenfields" project yet to be established. Growers are also receiving the benefit of economies of scale from leveraging off Arafura Pearls' existing operation.

5.3 Farm Site

Arafura Pearls has been developing and expanding its existing pearl farm and hatchery operation at Elizabeth Bay in north-east Arnhem Land, in the Northern Territory since 1998, and harvesting Australian south sea pearls since 2001. Elizabeth Bay is 48 kilometres by sea, north-west of Nhulunbuy (Gove) in Arnhem Land, in the Northern Territory. Nhulunbuy is located 800 kilometres by air east of Darwin.

The farm site is approximately 400kms east of Northern Territory farm sites operated by the Paspaley and Kailis Groups which have been in existence since the 1960's and 1980's respectively.

5.4 Land and Sea Lease

Arafura Pearls has a lease agreement with the Arnhem Land Aboriginal Land Trust, the Aboriginal owners and the Northern Land Council with an existing term until 3 September 2018. This lease is over the land and sea based areas of Arafura Pearls' operations covering an area in excess of 500 km². Crown leases in relation to the sea areas have also been granted.

5.5 Farm Infrastructure

Arafura Pearls has developed and established the following land and sea based infrastructure to conduct its modern hatchery-based Australian pearling operation:

Hatchery

As discussed in section 4.4, Arafura Pearls' pearling operations are hatchery based. Arafura Pearls uses modern marine technology to produce oysters in which to cultivate pearls rather than relying on fishing for wild shell.

The hatchery process starts with a small number of healthy and mature broodstock being selected from naturally occurring stocks. The male and female broodstock are brought together in the hatchery and through the manipulation of water temperature the male broodstock are induced to release their sperm and the females to release their eggs. This typically occurs between October and March of each year.

The fertilised eggs (larvae) are in tanks containing sea water that is pumped from the ocean to the hatchery. The larvae are fed with micro-algae grown under controlled conditions in the hatchery's laboratory. Eventually the larvae settle onto collectors which are suspended from the top of the tanks.

The collectors are transferred from the hatchery to long lines in the ocean and the larvae develop into spat which are selected into panels and put into farm production to be grown out. After approximately 18 months to 2 years of growout, the spat will be mature enough to be seeded.

Arafura Pearls' hatchery is one of the most advanced in Australia and has the capacity to produce spat numbers well in excess of its requirements. The hatchery facility represents a significant investment in capital works and intellectual property. The capital works established include a pump house, pumps, water filters, water storage facilities, air filters, settlement tanks, larvae tanks, algal culturing equipment, autoclave and hatchery buildings.

Arafura Pearls is involved in hatchery research and development programs which include genetic tracking in a bid to breed genetically superior shell. These programs are expected to expand the Responsible Entity's intellectual property and give it a competitive advantage.

Land Base

Arafura Pearls has other significant land based infrastructure in addition to the hatchery. These include a hatchery laboratory, a farm office, workshop, satellite communication systems, kitchen/mess area, employee living quarters, power generation plant, internal roadways, water supply and farm plant and equipment. The pearl farm site is well protected and the buildings have been constructed to withstand heavy weather conditions. The Northern Territory has strict building codes and the farm buildings have been constructed to meet these requirements.

Sea Infrastructure & Stock

Arafura Pearls has a significant fleet of vessels to conduct its pearling operations including a 32 metre pearling vessel with large capacity shell holding tanks used as a mothership and shell transport and operations vessel, cleaning vessels, general work boats, and dive boats.

5.6 Seeding Technicians

Australian pearl farming operations typically engage pearl technicians on a contract basis to perform operations and harvests between June to September of each year. Koyo Shinju has been engaged to provide the long-term seeding operations of the Responsible Entity and the project. Koyo Shinju is one of the pre-eminent independent seeding contractors in the Australian industry, made up of long-term and highly regarded Japanese seeding technicians. Koyo Shinju have been providing harvest and operations services to Australian south sea pearl farms for over 25 years.

5.7 Sales and Distribution

See section 4.8 for general information on sales and distribution in the Australian pearling industry.

The Responsible Entity will manage the pearl sales and distribution process for the project along with its own harvests. Mr Tim Jones was appointed Sales and Distribution Manager in October 2008 to head up this process. Prior to his appointment, Mr Jones ran the sales and distribution for MG Kailis (Broome Pearls) which was Australia's second largest pearl producer at the time. Mr Jones has been involved in the sale and distribution in excess of \$100 million of pearls at the wholesale level since 2001. Prior to this, Mr Jones worked with DeBeers for several years as a diamond buyer in Africa and Israel.

5.8 Board and Management Expertise

Growers will also benefit from their oysters being managed by the Responsible Entity's experienced and dedicated management team. The Responsible Entity's board includes Directors with pearling, commercial and managed investment scheme expertise. Their collective background include an ownership interest in a Western Australian pearling operation, a former directorship at Great Southern Plantations, and senior positions at both Paspaley and Kailis "Broome" pearling. In addition, there are typically between 30 and 40 staff on site at all times at the farm including a general manager, hatchery manager, farm manager and production and growout manager.

The following people make up the Responsible Entity's management team:

Mr Mark Ceglinski (non-Executive Chairman)

Mr Ceglinski was appointed non-Executive Chairman of the Responsible Entity in August 2007. He is also a shareholder of the Responsible Entity.

Mr Ceglinski has extensive experience in commercial dealings and the capital markets. He has been the Perth based head of Corporate Finance for national broking house Bell Potter Securities, and prior to this was a Senior Corporate Advisory Partner of national accounting firm, Pitcher Partners.

His formal qualifications include a Bachelor of Commerce as well as an MBA from the University of Western Australia, and he is a member of the Institute of Chartered Accountants, the Australian Institute of Company Directors, and the Australian Institute of Management.

Mr Andrew Malcolm Rupert Hewitt (Director and Chief Executive Officer)

Mr Hewitt is a co-founder of the existing operation. He is the Chief Executive Officer and a Director of the Responsible Entity. He is also a shareholder of the Responsible Entity.

Mr Hewitt is a Fellow of the Australian Institute of Chartered Accountants and was a founding partner in the chartered accounting firm, Barrington Partners. Prior to establishing this firm, he was a Senior Partner of the accounting firm Ernst & Whinney (now Ernst & Young). During this period he specialised in the provision of taxation and corporate advisory services to clients from a broad range of industry groups.

In addition to his involvement with the Responsible Entity, he also holds a financial interest in a successful and established Broome based pearl farm.

Mr Jeffrey Arthur Sydney Mews (non-Executive Director)

Mr Mews is a Director and shareholder of the Responsible Entity.

His formal qualifications include membership of Certified Practising Accountants Australia, Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Taxation Institute of Australia and Fellow of the Australian Institute of Company Directors.

From 1976 to 1998 Mr Mews was a senior partner of the international accounting firm PricewaterhouseCoopers until his retirement from that firm. He specialised in the areas of income tax and in providing advisory services to the resources sector. He has held directorships with a number of companies listed on the Australian Securities Exchange operating in the resources, construction and agribusiness sectors.

Capt Christopher John Cleveland (Executive Director)

Mr Cleveland was appointed Pearling Advisor of the Responsible Entity in July 2005 and a part-time Executive Director in July 2006.

He is a pre-eminent pearling industry figure with a career spanning approximately 25 years in the role of General Manager Pearling for Australia's two largest south sea pearl producers being Paspaley Pearls and MG Kailis "Broome Pearls".

Mr Cleveland has been active within industry bodies including Chairman of the Pearl Licensees Aquaculture Committee, formerly member nominee for the WA Pearl Producers Association (PPA), a member of the Board of the Seafood Council, and a member nominee for the NT Pearl Industry Advisory Committee (NTPIAC).

5.9 Compliance Plan

The Responsible Entity has prepared a Compliance Plan as required by the Corporations Act to ensure that it meets its obligations as Responsible Entity and that the rights of growers are protected. The Compliance Plan identifies the obligations under the Corporations Act, the Constitution and the Management Agreement, and identifies risks of non-compliance and establishes measures designed to address these risks.

5.10 Compliance Committee

The Responsible Entity is not required to establish a compliance committee as half of its Directors are external directors within the meaning set out in Section 601JA(2) of the Corporations Act. Nonetheless, the Responsible Entity has appointed an internal compliance committee to enforce compliance with the Compliance Plan. However, please note this committee will not be subject to the Corporations Act provisions regarding compliance committees.

Should the composition of the Board of the Responsible Entity change, resulting in less than half of the directors being considered external for the purposes of the Corporations Act, the Responsible Entity will appoint a compliance committee in accordance with Section 601JA of the Corporations Act comprising two external members and one representative of the Responsible Entity.

The responsibilities of a compliance committee are to monitor to what extent the Responsible Entity complies with the Compliance Plan and to report any breaches to the Directors of the Responsible Entity and in certain cases the ASIC.

6. How To Apply For Project Interests

6.1 Applications

To apply for project interests, please use the application forms attached to this PDS. You must apply for at least two project interests for the minimum application price.

The term of the project is approximately 6.5 years (2009 to 2015).

Completed application forms and accompanying cheques must be mailed or delivered to:

Arafura Pearls Holdings Ltd
Suite 25, Level 3, 22 Railway Road, Subiaco, WA 6008

or

Arafura Pearls Holdings Ltd
PO Box 1099, Subiaco, WA 6904

Cheques should be made payable to "Arafura Pearls - Project Account" and crossed "Not Negotiable". Completed application forms must reach one of the above addresses by the Closing Date, being 15 June 2009.

6.2 Payment Options

The following payment options are available:

Applicants may pay a deposit of 10% of the application money when they lodge their application forms and pay in the full application money before 15 June 2009. If the application money is not received in full before 15 June 2009, the Responsible Entity has the discretion to terminate the management agreement and retain any deposit paid up to an amount equal to 10% of the total application money due (inclusive of any deposit already paid);

Applicants may pay a deposit of 10% of the application money when they lodge their application forms and apply to pay under the terms payment facility by completing and submitting the terms payment facility application form together with a \$140 application fee before 15 June 2009. See below for further details; or

Applicants may submit an application form without a deposit with the whole amount of the application money to be paid on or before 15 June 2009.

6.3 Terms Payment Facility

The Responsible Entity may, in its sole discretion, agree to allow a grower to pay the application money under the terms payment facility. The total maximum number of project interests subject to the terms payment facility will be 50% of the maximum number of project interests being offered.

Growers will be considered for a terms payment facility where they complete the required application form, pay the 10% deposit and \$140 application fee and the Responsible Entity is satisfied, on or prior to 15 June 2009, as to their capacity to pay the full amount of the application money in accordance with the terms payment facility.

The Responsible Entity will advise an applicant if the terms payment facility is not available. If it is not available, the applicant must pay the full application money before 15 June 2009.

Where an applicant is approved for payment under the terms payment facility, the grower must pay the remainder of the application money in 9 equal monthly instalments commencing 31 July 2009. The grower may pay the outstanding application money in full at any time prior to the expiry of the terms payment facility.

If the grower fails to pay the required instalments as and when due, the Responsible Entity will give the grower notice of default and any the amount and any additional costs under the arrangement become immediately due and payable. The Responsible Entity may take legal proceedings to recover the amount due, including taking possession of the grower's interest in the project.

6.4 Miscellaneous

The Responsible Entity reserves the right to close the offer early.

The acceptance of applications for the project is dependant on the Responsible Entity's assessment of the quota availability.

The Responsible Entity does not in any way guarantee that an application will be accepted and has the right to accept or reject an application in its sole discretion. In the event that an application form has been completed incorrectly, the Responsible Entity reserves the right to accept the application in its discretion.

Successful applications in respect of the project require a special permit to be issued by the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources on or before 15 June 2009 to legally participate in the project (refer to section 12.2 of this PDS for further information). Any successful application which does not receive a special permit from the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources will have its application money fully refunded.

Applications in respect of the project under this PDS will enter into a management agreement under which they contract with the Responsible Entity to establish the grower's pearl farm and carry on the future maintenance and management of their pearl farm until the Australian south sea pearls have been harvested.

The subscription sum is paid to the Responsible Entity for the establishment, provision of panels, management and maintenance carried out under each management agreement. The relevant period for each project commences from the date the management agreement is entered into (following acceptance of an application) which will occur on or about 15 June 2009 (Commencement Date).

7. Taxation Implications

The ATO issued Product Ruling 2009/16 in relation to the project on 1 April 2009.

The effect of this product ruling is to give growers certainty as to the tax implications of their participation in the project. This is subject to the project being carried out in accordance with the description set out by the Responsible Entity in the product ruling. The product ruling is also intended to ensure the “non-commercial loss” provisions of the Income Tax Act do not apply to the growers.

The product ruling provides that 100% of the subscription sum is deductible in the financial year in which it is paid by the grower, assuming the grower is a small business entity. The product ruling granted encompasses the provision of the terms payment facility by the Responsible Entity in relation to the project.

For growers who are registered for GST, the GST component of the subscription sum is refundable from the Australian Taxation Office but not deductible. The GST component for growers who are not registered will be 100% deductible but will not be recoverable as an input tax credit.

The table below sets out the grower’s taxation deduction consistent with the product ruling.

Growers may wish to register for Goods and Services Tax (GST) and claim back the GST paid with the subscription sum. The Responsible Entity recommends prospective growers seek advice from their professional tax advisors to confirm their own position in respect of the impact of GST and taxation issues in general.

Subscription Sum	Grower Year 0 (\$)
Per project interest (NB minimum of two (2) project interests)	
Subscription sum	6,300
(Plus GST)	630
Total amount payable	6,930
Payable on or before	15 June 2009
Grower’s tax deduction (if registered for GST and STS) per project interest	6,300
Grower’s tax deduction (if registered for GST & STS) (%)	100%

8. Fees and Other Costs

8.1 Consumer Advisory Warning

By law, prior to setting out the fees and costs for the project, we are obliged to provide you with the following consumer advisory warning that applies generally to managed investment funds products.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

8.2 Project Fees

This section shows fees and other costs that you may be charged in relation to the project. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the project as a whole.

Taxes and insurance costs are set out in sections 7 and 12.5 respectively of this PDS. Please note insurance coverage will be compulsory for growers if it can be arranged on commercially acceptable terms. Growers will be liable for any insurance premiums on their project Interests on a pro rata basis.

You should read all the information about fees and costs because it is important to understand their impact on your investment in the project.

To participate as a grower in the project you must pay certain fees and costs.

Table 1 identifies the types of fees and costs and, whether they are fixed or variable and, where applicable, explains the method of calculation.

Table 2 quantifies the amount payable in each year of the project term, in dollar terms. Where it is not possible to state fees and other costs in dollar terms, we provide a hypothetical worked example of how the fees and other costs are calculated in the footnotes to Table 2.

Please note there are no establishment, withdrawal or termination fees.

Initial cost of participation in the Project

An applicant must apply for a minimum of two project interests of \$6,300 per project interest equaling a minimum subscription sum of \$12,600 (plus GST), payable upon application. If applicants wish to acquire more than two (2) project interests the subscription sum will equal the number of project interests acquired multiplied by \$6,300.

Table 1 – Fees and Other Costs (Per Project Interest) (ex GST)

Type of Fee or Cost	Amount	How & When Paid
Fees when your money moves in or out of the project		
<p>Subscription sum:</p> <p>This is the fee to set up your initial investment (including the provision of initial management services)</p>	\$6,300 (plus GST) for each project interest.	The whole of the subscription sum per interest is due and payable by the grower to the Responsible Entity before 15 June unless the Responsible Entity approves the applicant paying under the terms payment facility, in which case the applicant must pay a deposit of 10% before 15 June 2009 and the remainder of the subscription sum in 9 equal monthly payments commencing 31 July 2009.
<p>Management Costs</p> <p>The fees and costs for management of the grower's investment</p>		
<p>Deferred management fee¹:</p> <p>This fee is charged for the provision of the ongoing management services provided by the Responsible Entity</p>	The Responsible Entity will receive a fee of 30% of the gross pearl sales less the GST component	<p>Payable out of the grower's proportional interest in the gross pearl sales.</p> <p>Payment is deferred and recouped at the time the gross pearl sales are received.</p> <p>Gross pearl sales will be received by the Responsible Entity approximately 6 months after the completion of:</p> <ul style="list-style-type: none"> ▪ the first harvest — which occurs approximately 4 years after commencement of the project; and ▪ the second harvest — which occurs approximately 6 years after the commencement of the project.
<p>Sales and marketing fee²:</p> <p>This fee is for grading, cleaning, marketing and selling of the pearls by the Responsible Entity, as part of the ongoing management services.</p>	The Responsible Entity will receive a fee of 10% of the gross pearl sales less the GST component	<p>Payable out of the grower's proportional interest in the gross pearl sales.</p> <p>Payment is deferred and recouped at the time the gross pearl sales are received.</p> <p>Gross pearl sales will be received by the Responsible Entity approximately 6 months after the completion of:</p> <ul style="list-style-type: none"> ▪ the first harvest — which occurs approximately 4 years after commencement of the project; and ▪ the second harvest — which occurs approximately 6 years after the commencement of the project.

<p>Deferred management fee shortfall³:</p> <p>This fee applies if the deferred management fee and sales and marketing fee do not equal or exceed the sum of the following amounts (plus GST):</p> <ul style="list-style-type: none"> (a) \$1,160 per project interest for yr 1; (b) \$560 per project interest for yr 2; (c) \$1,680 per project interest for yr 3; (d) \$900 per project interest for yr 4; (e) \$960 per project interest for yr 5; (f) \$560 per project interest for yr 6; (g) \$80 per project interest for yr 7. <p>This fee may be reduced in proportion to the number of years remaining of the term of the project and/or the number of the grower's oysters lost if the Management Agreement is terminated or there are significant losses to the grower's oysters.</p>	<p>The amount is any shortfall between the sum of the deferred management fee and sales and marketing Fee, and the following amounts (plus GST):</p> <ul style="list-style-type: none"> (a) \$1,160 per project interest for yr 1; (b) \$560 per project interest for yr 2; (c) \$1,680 per project interest for yr 3; (d) \$900 per project interest for yr 4; (e) \$960 per project interest for yr 5; (f) \$560 per project interest for yr 6; (g) \$80 per project interest for yr 7. 	<p>Payable at the conclusion of the project, within 28 days of receipt of invoice from the Responsible Entity.</p> <p>The grower may direct the Responsible Entity to deduct the deferred management fee shortfall from the grower's proportional interest in the gross pearl sales.</p>
<p>Bonus:</p> <p>A bonus is applicable.</p>	<p>If at the end of the final harvest, the total net return before tax per non-electing grower's interest for that harvest exceeds an internal rate of return of 16% before tax per interest for that harvest, 10% of that excess due to the non-electing grower.</p>	<p>Payable out of the grower's proportional interest in the gross pearl sales</p>
<p>Withdrawal fee not applicable: as growers are not entitled to withdraw from the project.</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p>Termination fee: not applicable</p>	<p>Not applicable</p>	<p>Not applicable</p>

Table 2 – Fees and Other Costs (Per Project Interest Per Annum) (ex GST)

Growers	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Application money	\$6,300 per project interest (plus GST)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Management fees Refer to note (1)	Fixed \$6,300 (part of application moneys)	N/A	N/A	N/A	N/A	Deferred 30% of gross pearl sales less the GST component (plus GST) ¹	N/A	Deferred 30% of gross pearl sales less the GST component (plus GST)
Sales and marketing fee Refer to note (2)	N/A	N/A	N/A	N/A	N/A	Deferred 10% of gross pearl sales less the GST component (plus GST) ²	N/A	Deferred 10% of gross pearl sales less the GST component (plus GST)
Deferred management fee shortfall Refer to note (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Deferred The shortfall between the sum of the deferred management fee and the sales and marketing fee and the shortfall amount in total being \$5,900 (plus GST) per project interest
Bonus	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Deferred If at the end of the final harvest, the total net return before tax per non-electing grower's interest for that harvest exceeds an internal rate of return of 16% before tax per interest for that harvest, 10% of that excess.

Additional Explanation of Fees and Other Costs

1. A grower will pay a deferred management fee calculated at 30% of the gross pearl sales net of GST, (plus GST), earned over the project for the provision of management services over years 1 to 7 of the project.

For example:

If your gross pearl sales net of GST in a financial year are \$100,000, then you will pay deferred management fees of \$30,000 (plus GST).

Note:

The figures in the above example are arbitrary and for illustration purposes only. They are not indicative of future proceeds or costs. We do not make any forecast or projection about possible gross pearl sales.

2. A grower will pay a sales and marketing fee calculated at 10% of the gross pearl sales net of GST, (plus GST), earned over the project for the provision of sales and marketing services over years 1 to 7 of the project.

For example:

If your gross pearl sales net of GST in a financial year are \$100,000 then you will pay a sales and marketing fee of \$10,000 (plus GST).

Note:

The figures in the above example are arbitrary and for illustration purposes only. They are not indicative of future proceeds or costs. We do not make any forecasts or projection about possible gross pearl sales.

3. This fee may be payable if the deferred management fee and the sales and marketing fee do not equal or exceed the sums outlined in Table 1 for the respective years. The fee will be any shortfall between the sum of the deferred management fee and the sales and marketing fee and the amounts set out in Table 1 per project interest of the annual fee for that year.

For example:

If the total of the deferred management fee and sales and marketing fee equalled \$5,000 (plus GST) from gross pearl sales per project interest the shortfall would be \$900 (plus GST).

Note:

The figures in the above example are arbitrary and for illustration purposes only. They are not indicative of future proceeds or costs. We do not make any forecasts or projection about possible gross pearl sales.

Table 3 – Prescribed Example of Annual Fees and Other Costs (Per Project Interest Per Annum)

This table gives an example of how the fees and costs charged on participation in the project can affect your investment over a one year period. The table is based on the project not offering a 'balanced investment option' (as defined in the Corporations Act). You should use this table to compare this product with other similar agribusiness managed investment products.

In accordance with the requirements of the Corporations Act, this table is based on an investment of \$50,000. **However you should note that we do not issue fractions of a project interest and it is not possible to make an application for project interests where the application amount totals exactly \$50,000. For a grower, the nearest whole investment amount to the balance of \$50,000, is \$48,510 being for 7 project interests.** To have an investment of \$50,000 we have taken a fictitious example of a grower with approximately 7.215 project interests (rounded).

Please note that amounts in the table are for illustrative purposes only and have been subjected to rounding. All amounts in the table are inclusive of GST.

Grower	
<i>Example:</i> Cost of fund in each year of the project for a grower who holds 7.215 project interests (at \$6,300 per project interest plus GST). Note that no fund actually exists. Only contractual rights and obligations as a grower exist. Note also that it is not possible to set out the annual costs and fees for this project because the determination of those fees depend on the gross pearl sales which in turn depends on the number of pearls harvested during the project's 2 pearl harvests.	Balance of \$50,000 with no further contributions
Contribution fees	For every \$50,000 you put in you will be charged \$0 in contribution fees.
Annual fees	For every \$50,000 you put in you will be charged \$0 in annual fees, however you will be subject to management fees and other costs as set out elsewhere in this PDS.
Management costs for 7.215 project interests.	For every \$50,000 you have invested in the project as a grower you will be charged fees: <ul style="list-style-type: none"> (a) on application in Year 0 of the project - \$50,000 (which have been paid from the subscription sum); (b) for subsequent years 5 and 7 of the project you will be charged 30% of the gross pearl sales; plus (c) for subsequent years 5 and 7 of the project, you will be charged 10% of the gross pearl sales comprising the sales and marketing fees; plus (d) for year 7 of the project you will be charged a deferred management fee shortfall (being a maximum of \$46,825
Cost of fund for 7.215 project interests. Note that no fund exists, only contractual rights and obligations as a grower for 7.215 project interests.	If you had an investment of \$50,000 during the life of the project you would be charged fees and costs in addition to the subscription sum set out above which will be dependent on the gross pearl sales in years 5 and 7 of the project. <p>What it costs you will depend on the actual gross pearl sales achieved by the Responsible Entity in years 5 and 7 of the project.</p>

9. Independent Expert Report

Serena Sanders - Pearling Consultant
ABN 56 919 549 272
Office 4, Level 1, 140 Main Street, Proserpine QLD 4800

Independent Pearling Expert Report – February 2009

Introduction

This report has been updated as at February 2009 for inclusion in a Product Disclosure Statement (Document) to be issued by Arafura Pearls Holdings Ltd (Company) giving growers the opportunity to subscribe to the Arafura Pearl Project 2009 to invest in a pearl oyster (*Pinctada maxima*) farm at Elizabeth Bay near Gove in the Northern Territory.

I have been commissioned, once again, by the Company to provide an independent technical assessment of the project and the proposed oyster management techniques. I am a fully qualified Marine Biologist with over 25 years experience in the pearling industry in Australia in various capacities including senior management, as an investor, and as an external consultant.

This is the fourth time that I have been asked to provide an independent technical assessment and whilst I have not physically inspected the area this time due to the constraints of the “wet season”, I have conducted detailed phone meetings with key senior personnel, in conjunction with reviewing updated written Company information pertaining to my assessment. I will conduct my onsite visit over the next months once weather permits.

Detailed telephone meetings were conducted with the following personnel:

- Hatchery Manager /Growout Manager – Juan Gutierrez
- Farm Manager/Head of Diving – Edward Colquhoun
- General Manager – Colin Watts
- Executive Director – Chris Cleveland

The Project

Growers are invited to establish a commercial pearl oyster farming operation by entering into a Management Agreement for project interests of juvenile oysters. The Company undertakes to manage these oysters on behalf of the grower for the term of the project and to conduct two oyster seeding operations and subsequent harvests.

Species

The species of oyster to be used in the project is the silver or gold lipped pearl oyster (*Pinctada maxima*). This species is the largest of the pearl producing species of oysters, and is well known for producing the finest and largest cultured pearls in the world. These pearls are known as Australian South Sea Pearls and are the most highly sought after and valuable pearls in the world. Optimum pearl quality is achieved when the pearl oysters are farmed under ideal environmental conditions, using best management practices.

This species currently produces pearls in commercial quantities on the northern coast of Australia predominately in the Northern Territory and Western Australia. These areas with their pristine waters provide an ideal habitat for the oysters which occur naturally in these areas.

The existing farm operated by the Company has successfully worked with this species of pearl oyster in all stages of its life cycle from hatchery rearing of pearl oyster spat, through grow out, and finally to the successful harvesting of quantities of high quality Australian south sea pearls from these spat. This success continues as the Company improves each year in its performance and experience at Elizabeth Bay especially in its capabilities for producing and growing spat, and its improved pearl productions.

Information pertaining to the quality of the recent commercial pearl harvest of 2008 was provided by the Company and is consistent with the variability expected for individual technicians, husbandry methods and site locations.

Analysis of 2008 harvest is based on results provided by the Arafura grading team, and to be consistent with the comparison of 2007 grading done by Pearlautore, the following comments are based on the number of pearls harvested.

The results show:

- No significant change to total saleable product at 89%
- No change to "sellable" sized product at 70%
- Decrease in "other color" pearls down to less than 5%
- Increase in overall weight per pearl however still slightly down on future expectations once the use of large shell occurs
- Significant Increase in the "high value" shape profile
- Significant decrease in the "low value" shape profile
- Increase in "undersize" percentage again due to use of smaller shell in 2006

Location & Features of Farm

The Company has been operating the farm site since 1998 and harvested its first pearls in 2001 with the first commercial scale harvest of approximately 21,000 pieces in 2006. The farm is located at Elizabeth Bay which is 48 kilometres by sea, North East of Nhulunbuy in Arnhem Land, Northern Territory. Nhulunbuy is located 800 kilometres by air from Darwin.

The Company surveys of the environmental and ecological suitability of the area show that the tidal flow, water exchange and plankton levels are highly suitable conditions for oyster growth and cultured pearl production. A detailed Environmental Management Plan outlines the measures that will be implemented to ensure optimum growing conditions with minimal environmental impact. Importantly this plan provides for review annually to keep abreast of issues especially during the expansion phases.

The water area under permit is in excess of 500 square kilometres which provides room for farm expansion and allows for the spreading out of stock in order to reduce the risk of disease transfer and site contamination. There are sufficient locations within the farm area, with water depths that are well suited to modern pearl farming technology. In total the area of 1859 hectares of sea lease is believed to be sufficient and no further lease areas are required in the foreseeable future.

A separate isolation area near Astell Island has now been relocated to Wigram Bay and is separated by 5nm from other farm stock. The area is used for the quarantine of newly introduced shell or suspect shell while health clearance is obtained.

Farm Infrastructure

The existing farm infrastructure includes a modern and fully equipped pearl oyster hatchery. This facility is well equipped and has been producing commercial spawnings since 2001. Recent improvements carried out to further improve the hatchery's capabilities include:

- relocation of the seawater intake to improve water quality
- replacement of both ultra violet sterilization units & algal lab air conditioning
- utilization of full capacity of hatchery to improve spat runs

Growout facilities consist of modern pearl farm surface and subsurface long line systems which have proved highly suitable for producing healthy pearl oysters. In addition, the Company has a bottom farm system where oysters are held in panels secured by lines on the sea bed.

Growout capabilities have been further improved by:

- Alterations to the spat collector units
- Placing selected spat directly into 15 pocket panels
- More extensive use of bottom farm system for selected spat panels

A scientific based monitoring and measuring program is now in place at various sections of the surface and subsurface growout areas. This will provide data on spat growth rates and mortality in various areas of the farm so that the best suited areas for growout can be fine tuned.

The selection of broodstock for the hatchery is very important as sufficient ripe females and males must be easily accessible during pre spawning selection. Further selection of broodstock for shell characteristics, especially nacre colour, and the allocation to specified broodstock lines improves the ability of the hatchery staff to make rapid selection. Given the improved number of spawning runs being carried out each season the implementation of a good broodstock selection program is critical.

Recent improvements to the broodstock program include:

- Selection of broodstock for specific characteristics is carried out during operations and these broodstock set aside
- Placement of these broodstock onto their own long lines at various locations around the farm to provide the best possible source of quality, ripe broodstock easily accessible

Seeded oysters (or production shell) are also held on long line systems. The 2008 operated shell turning results continued to show a significant improvement in post operation mortality rates compared to 2006. Normal mortality rates were experienced post turning and after five months since operations. The farm area is well laid out and at a standard expected for a fully operational and modern Pearl Farm.

Establishment & Management

The Company will initially place oysters per minimum interest into 15 pocket panels. At the time of transfer from collectors to these panels the oysters will measure larger than the mesh size of each panel (40-50mm). Changes have been made to improve growth rate and allow for longer periods on collectors, therefore increasing the size at selection from 15mm to 40mm. This extended period is being closely managed to avoid unnecessary overcrowding. At a time dictated by the growth rate of the oysters, the Company will transfer the oysters to 8 pocket panels. The period referred to as growout is the time between transfers from the collectors up to the seeding and is estimated to be 2 years. This is a typical growout time frame for an Australian farm. It may vary for different areas and spat batches.

In year 2 of the project, the Company will operate approximately 100 oysters for each project interest. Oyster survival rates after the initial transfer from collectors through until the oysters reach an operable size vary from farm to farm and will depend on seasonal conditions. The Company will replace dead oysters to ensure each grower has a minimum of 176 oysters on hand at the end of 18 months after the project commencement. Each grower's shell is tracked by tagging panels and monitoring line and panel registers. This tracking process has been further improved by the implementation of a detailed shell management program which has now been put into full use allowing easy and accurate reporting and tracking of shell.

In year 4, two years after the first seeding, the Company will conduct the first harvest on behalf of the grower. Yields from the first harvest will be a product of the following variables:

- Oyster survival rates following the first operation and prior to the harvest
- Percentage of oysters that reject the nucleus
- Percentage of oysters that produce a saleable pearl
- Average size per pearl.

Also in year 4, the Company will conduct second operations on a selection of first operation oysters that produced a pearl.

In year 6, two years after the second operation, the second operation shell will be harvested. Yields from the second harvest will be a product of the following variables:

- Number of oysters deemed suitable for the second operation
- Oyster survival rates post the second operation and prior to the second harvest
- Percentage of oysters that reject the second operation nucleus
- Percentage of oysters that produce a saleable pearl
- Average size per pearl.

The production assumptions used for the above variables have been reviewed and appear to be within the collective range for Australian pearl farms producing hatchery shell and using qualified experienced technicians and good farm husbandry practices.

Performance Management

The Company has access to modern oyster cleaning equipment and boats. The oysters, panels and long lines will be afforded regular cleaning, health checks and general maintenance. As oysters are regularly cleaned detailed records are maintained of oyster mortality. The Company maintains comprehensive records at the farm which are then transferred into a detailed oyster data base containing

- Cleaning history;
- Oyster movement within the project site;
- Survival rates.

At the time of this report the cleaning program has vastly improved since the last inspection with growout and 2008 Operated shell on track at a 4 week cleaning cycle. Some older production shell was still overdue by up to 2 weeks. Delays in cleaning may occur for various reasons and this will be an important component for the Company to manage on an ongoing basis. Getting engineering parts to the farm in a timely manner continues to be the biggest challenge.

The following improvements have been made since the last inspection:

- 4 new cleaning vessels deployed
- Improved use of manpower (cleaning crew more efficient so less required)
- Deployment of a additional three cleaning vessels over the next three months

Spat production is on target, with more than sufficient selected spat in growout from 07/08 spawning season. So far the 08/09 spawning season is on track and has already produced 73% of the target number of collectors. Still the timely selection of spat off collectors remains critical and continues to be closely managed to prevent mass mortality events around selection. Selection of expected numbers of spat off collectors will be a critical factor in achieving the increased production rate planned, that is, 350-500 spat selected off each collector settled with 2000 spat per collector, or 25% selection rate. This is an achievable selection rate with a reasonable built in "buffer".

The acquisition of a 32m operating vessel "ARACAT", due to arrive on site in early March, will allow for the following improved capabilities:

- Additional accommodation for up to 24 staff
- Pearl seeding capabilities for over 5000 shell to be seeded per day
- Operating facility for 10 pearl seeding technicians
- Ability to take vessel to shell (less shell movement & stress)
- Ability to transport fuel to farm (40 tonnes)

Management

The Directors and other senior personnel engaged by the Company are all experts in their fields. The project contains a mix of experience in pearling and project management. The site, farm infrastructure, and health of existing oysters on site are all evidence of the significant management expertise of the project team. This team continues to improve as follows:

- Appointment of new General Manager
- Effective communication at all levels
- Improved wage structure and parity within industry
- Less staff turnover and more stable crew
- Improved depth and blend of expertise base at farm level therefore
- Improved continuity of training and husbandry

Both planning and budgetary measures are currently underway to continue to provide improved capabilities in preparation for further expansion including the addition of further vessels for cleaning shell, a new ablutions block, and an airstrip on site.

The Company has advised that their Operational Strategic Management Plan includes the following:

- Improved management expertise capabilities;
- Expanded land and sea based infrastructure including accommodation;
- Engineering requirements for additional infrastructure and capital acquisitions;
- Regular shell cleaning and husbandry timetables;
- Staff incentive packages to encourage long term and stable workforce.
- The needs and priorities of the key management staff
- Marketing strategy for the sale of pearl harvests

Verbal advice as at February 2009, confirms that all of these components of the plan are being actioned and vast improvements in all of the above points is already obvious. For example it is good management to have spare long lines in case of broken, damaged or dragging lines and currently 15% of the farm's lines are available for this.

Risks

Pearl oyster growout and pearl production is a well established industry with a significant history of production success in Australia and South East Asia. Notwithstanding this pearl farming has exposure to a number of operational risks beyond the control of the Company. These risks are set out in more detail in the document.

The Company has a series of management strategies and protocols in place including but not limited to:

- Disease Management Plan
- Environmental Management Plan
- Cyclone Contingency Plan

The Company plans to follow the safeguards detailed in the Environmental Management Plan as close as practically possible noting the difficulties of working in a remote area and the nature of marine projects.

With the implementation of the Operational Strategic Management Plan and its proposed mechanisms to increase capabilities in all areas, along with the implementation and enforcement of the various plans and protocols, I am of the view that appropriate measures are in place to minimize the potential impact of the risks set out above.

The most significant "controllable" risks will be shell mortality and husbandry failings through either lack of expertise or equipment. Management are working towards reducing these risks by implementing programs such as preconditioning oysters before seeding by placing them on the bottom for up to three months prior to operations. Surplus spat on collectors are also being kept on the bottom as "reserve" supply in the event of mortality in selected spat. More than adequate quantities of pre production shell are being kept on bottom and surface sites to meet the increased shell seeding target of 2009 and future years. Alternative shell supplies have also been sourced in the event that production at Elizabeth Bay falls short for any reason

The Environmental Management Plan will continue to be a comprehensive document that changes over time as it is reviewed and revised for various purposes.

Also as part of its risk management strategies the Company has shell insurance coverage over all mature production shell on the farm. The insurance protects Arafura and growers from any significant loss event from typical agri-business risks except disease.

Summary

The management techniques and procedures outlined and used on the existing farm are well thought out and based on methods used on other well run Australian and South East Asian Pearl farms. Based on the reports provided, there continues to be a steady increase in both production (seeded) and hatchery (nursery and growout) shell.

This steady increase is in line with the proposed expansion plans for the project. Based on the data provided, the project should achieve its production objectives provided the farm continues to be well managed and is not subjected to any unfavorable environmental conditions or high mortality events. Alternative and/or back up shell supply sources have been secured to ensure that no significant alterations to the production assumptions are needed in the event of another cyclone or a mortality event. The highly experienced management team have significantly improved the projects capabilities and the Company is already well into the expansion phase. In July 2009 the Company will commence seeding its full quota of between 230 and 250,000 pearl oysters and all shell figures indicate that there are sufficient shell over 100mm DVL to adequately achieve this.

I consent to being named as the pearling expert in this document for the Company. Whilst I have taken all reasonable care to ensure that the information provided to me by Arafura Pearls, both written and verbal, is accurate, I do not accept any responsibility if they are not and if actual results, activities, and forecasts differ from those discussed in this report. I have no interest in the project, or the Company other than an agreed fee for the preparation of this report. I may at the Company's discretion be retained to provide ongoing technical or operational support or advice to the project, and/or the Company.

The giving of consent to the inclusion of this report in the Information Memorandum should not be seen as an endorsement of the project or a recommendation by me of any participation in the project by a prospective grower.



Serena Sanders

10. Risks

10.1 Introduction

In 1956 the first Australian pearl farm to employ cultured pearl techniques was established at Kuri Bay. 50 years on there have been significant advances made by Australian and Asian pearlers and scientists in pearl cultivation techniques. Hatchery technology has been used by Indonesian pearl farmers since the early 1980's and the first commercial production from Australian hatcheries occurred in 1994. The Responsible Entity's own state of the art hatchery has been producing commercial spawnings since 2001.

By comparison with some aquaculture industries the Australian pearling industry is well established and proven. Notwithstanding this, there are risks associated with pearl farming. As with any investment in aquaculture and more broadly agriculture, there are inherent risks in pearl production due to matters beyond the control of the Responsible Entity. Additionally, the project is subject to the ordinary commercial risks of a longer term venture.

The Responsible Entity has an established business that has reached a critical mass and stage of maturity meaning some of the potential risks which would be associated with a "greenfield project" are now removed. The Responsible Entity will continue to use all avenues available to monitor risk and undertake appropriate actions to minimise any ongoing risks.

10.2 Industry and Business Risks

(a) Environment

Pollution is a direct threat to oysters that live in the ocean and can have a detrimental impact on oyster mortality, pearl size and quality. The water around the farm site is unpolluted due to its isolated location. The Responsible Entity has in place procedures to continually monitor water quality in the farm area. The farm area is very isolated and can only be reached by sea or air. For this reason it is sparsely populated and devoid of any heavy industry in the immediate area.

(b) Weather

Pearl farms are located in tropical areas that experience cyclone and other violent storm activity. Storms can pose a threat to both the health of the oysters and the farm facilities.

Cyclone Ingrid (Category 5), which passed over the Responsible Entity's farm area in March 2005, had an adverse impact on the Responsible Entity's operations, with cyclone Monica passing to the north of the project area with little impact in April 2006. Prior to these events there had not been a tropical storm/cyclonic activity greater than Category 2, which is not considered severe, within 150 km of Nhulunbuy in the previous 40 years.

Nonetheless, cyclones are a recognised risk of pearling operations, which are almost universally conducted in tropical waters, and the Responsible Entity has implemented procedures and strategies to mitigate the risk where possible.

(c) Technical

Pearl farming is a delicate process and requires sound technical judgement to maximise oyster survival and pearl quality. The appointment of highly experienced pearl farming staff ensures that the most efficient procedures will be followed to maximise oyster survival and pearl quality.

(d) Disease

Pearl oysters are animals and as such are susceptible to disease and biological conditions. Oyster health is continuously monitored by marine biologists and industry experienced staff members.

(e) Safety

The farm is located at Elizabeth Bay in the Northern Territory. In a remote environment, illness and accidents can have a detrimental impact on the operation of the project. The Responsible Entity has implemented an occupational health and safety program and an emergency evacuation program.

(f) Licences and Quota

The Australian pearl industry is regulated through the use of a quota system. Changes to the quota system may impact on production levels and the prices achieved for pearls.

(g) Default of Contracting Parties

Any default by relevant parties of any of the material agreements (eg suppliers, consultants) may have an adverse impact on the operation of the Responsible Entity.

(h) Insurance

Through its business, the Responsible Entity is exposed to many risks which are inherent in the pearl farming industry, some of which from time to time may not be insurable on a cost effective basis, or with cover for all possible losses.

10.3 Risks Associated With Management and Staff

(a) Loss of key staff

Pearl farm operations are dependent on a small number of experienced staff. Appropriate remuneration packages and working conditions are offered to encourage key staff members to maintain employment with the Responsible Entity.

(b) Management expertise

The growers are dependent on the ongoing ability of the Responsible Entity to direct the operations of the project. Low quality in management may adversely affect the ongoing operations of the project. The Responsible Entity has a strong management team with significant experience in the pearl industry.

If the Responsible Entity were to default under the management agreement then the viability of the project may be temporarily affected. Under the management agreement, subject to a number of conditions the growers have the right to appoint a new Responsible Entity. This may cause temporary disruption to the project. Additionally, the appointment of a new Responsible Entity would have to be in accordance with the requirements of Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources.

10.4 Risks Associated With the Market

(a) International competition

Other countries in the Asian region also farm pearls and to some extent are in competition with Australian production. Increased competition may result from an increase in the supply of pearls.

(b) Currency fluctuations

It is expected the growers pearl production will be exported. It is common place for most pearl sales to be transacted in Japanese Yen however sales may take place in other foreign currencies. Any change in the value of the Australian dollar may affect the price and demand of Australian pearls in the export arena.

(c) Product Quality

The price obtainable for pearls is influenced by the size and quality of the pearl. The Responsible Entity will employ the latest management techniques, suitably qualified personnel and appropriate quality control systems to strive for production quality that is of the highest possible standard.

(d) Commodity Prices

Pearl market prices are dependant on the supply of and the demand for pearls. Adverse fluctuations in either or both factors may result in reduced pearl prices being obtained by the Responsible Entity.

10.5 Regulatory Risk

(a) Taxation law

The Responsible Entity has obtained the product ruling from the Australian Taxation Office.

The product ruling is issued on the basis the Responsible Entity abide by strict terms of use. Any failure to abide by these terms of use could result in the product ruling being withdrawn by the Australian Taxation Office.

(b) Regulatory

The Northern Territory pearl industry is regulated through the use of a quota system. Changes to the quota system may impact production levels and prices of pearls. There is a significant production lead time from any decision to increase production to the presentation of pearls available for sale. A change in the present quota system will require a number of years to pass before there is an impact on supply.

10.6 Security

Pearls are a high value commodity and accordingly the risk of theft is present. The Responsible Entity regularly reviews the appropriateness of its security measures.

11. Material Contracts

The material agreements which relate to the establishment of the Arafura Pearl Project 2009 managed investment scheme (project) is:

- (a) Arafura Pearl Project 2009 Constitution;
- (b) Compliance Plan; and
- (c) Management Agreement.

These documents have been lodged with the Australian Securities and Investments Commission. A summary of these documents follows. Copies of these agreements are available for inspection at the registered office of Arafura Pearls Holdings Limited during normal business hours. The Responsible Entity will also provide an electronic copy of each document to any person who requests a copy, free of charge.

The management agreement which will be executed on behalf of each grower under the relevant Power of Attorney granted by the grower to the Responsible Entity will incorporate by reference the full terms of the relevant pro-forma document. It is recommended that the applicant obtain a copy of and read the pro-forma management agreement before applying for a project interest.

11.1 Project Constitution

The Constitution establishing and governing the project was signed in February 2009. The following is a summary of provisions from the Constitution.

(a) The Responsible Entity

The Responsible Entity is appointed and agrees to act as Responsible Entity of the project.

(b) Application Price

To acquire an interest and become a grower, an applicant must pay \$6,300 per project interest (plus GST) and must pay the minimum application amount of \$12,600 (comprising an application for a minimum of two project interests (plus GST) (referred to in the Constitution as the "application price" and in the Management Agreement as the "subscription sum").

The application price must be paid:

- (i) by 15 June 2009.
- (ii) The Responsible Entity has discretion to accept a deposit, however, the application price must be paid in full by the above date unless payment under the terms payment facility is approved. If the application price is not paid in full by the above date as required, the Responsible Entity may:
 - (A) affirm the contract and sue the applicant for specific performance of the contract and damages for breach in addition to or in lieu of specific performance of the contract; or
 - (B) subject to clause 11.8 of the Constitution:
 - (I) terminate the management agreement;
 - (II) forfeit that part of the application money (which term includes any deposit) already paid, up to an amount which equals 10% of the total application money payable; and
 - (III) dispose of the balance, if any, in accordance with clause 11.9 of the Constitution.

If the management agreement is terminated in accordance with clause 11 of the Constitution:

- (i) any application money forfeited is to be retained by the Responsible Entity for its own use and benefit; and
- (ii) the balance of the application money (if any) must be repaid to the applicant by the Responsible Entity.

(c) Creating the Funds

The Responsible Entity must create an application fund (to hold application money) and a proceeds fund (to hold the proceeds from the sale of Australian south sea pearls harvested from the grower's pearl farm).

(d) Project Property

All project property (defined to have the meaning of "scheme property" in section 9 of the Corporations Act) must be held by the Responsible Entity for the growers or alternatively by an agent appointed by the Responsible Entity. The property for each scheme will be kept separate and distinct from the property of any other scheme.

(e) Complaints

The Responsible Entity must appoint a Complaints Handling Officer to deal with complaints made by growers. The Responsible Entity must within five business days after receiving a complaint from a grower, write to the complainant either to acknowledge the complaint or respond fully to the complainant in respect of the complaint made.

The Responsible Entity must attempt to respond fully to the complainant within 10 business days after the acknowledgement of the complaint is made by the Responsible Entity. If a complaint cannot be resolved to the satisfaction of the complainant then the complainant may proceed under the dispute resolution procedures contained in the Constitution, lodge a complaint with the Financial Ombudsman Service or take whatever other action is open to the complainant under the general law.

(f) Winding-Up

The Responsible Entity must wind up the project or cause a project to be wound up in any of the following circumstances:

- (i) on the direction of the growers in the project in accordance with section 601NB of the Corporations Act;
- (ii) if the Responsible Entity considers the purpose of the project has been accomplished or cannot be accomplished in accordance with section 601NC of the Corporations Act;
- (iii) a court orders the project to be wound up pursuant to section 601ND of the Corporations Act;
- (iv) any of the circumstances set out in section 601NE of the Corporations Act apply such that the Responsible Entity is required to wind up the project; or
- (v) in any other circumstances provided for under the Corporations Act.

To wind up the project the Responsible Entity must convert to money all project property, deduct all costs, fees, expenses and other money in accordance with the Constitution and the Corporations Act and then divide the balance amongst growers according to each grower's proportional interest in the project (or scheme).

(g) Fees and Expenses

The Responsible Entity is entitled to be paid, in respect of the project, from project property those fees provided for in the Constitution and any management agreement by way of remuneration for carrying out its duties and obligations under the Constitution or any management agreement. The Responsible Entity is entitled to be paid in respect of the project, from, or reimbursed from project property for all costs, charges, expenses and outgoings that are incurred by the Responsible Entity in establishing, administering and/or winding up the project.

(h) Indemnity

The Responsible Entity has a right of indemnity out of the project property for the project in respect of any liability incurred by the Responsible Entity in the performance of its duties in respect of the project and all fees payable to and costs recoverable by the Responsible Entity under the Constitution or any Management Agreement in respect of the project.

(i) Application Money

Application money is to be paid in full by 15 June 2009.

All application money is to be paid by applicants or their financiers directly to the Responsible Entity who must place that application money in the application fund. Only when all of the conditions that are required to be satisfied under the Constitution are satisfied can the application money be released to the Responsible Entity.

(j) Management Agreements

The Responsible Entity must prepare a Management Agreement as soon as practicable after its acceptance of an Application. The Responsible Entity must execute the Management Agreement for itself and on behalf of the applicant pursuant to the Power of Attorney granted to the Responsible Entity.

(k) Releasing Application Money

Prior to releasing any application money held by the Responsible Entity, the Responsible Entity must be reasonably satisfied that:

- (i) the Management Agreement has been duly completed and executed; and
- (ii) there are no outstanding material breaches of any of the provisions of the Constitution which detrimentally affect the interests of an applicant.

Upon being satisfied of the matters listed above the Responsible Entity must release the application money and apply it in payment of the fees payable under the Management Agreement.

(l) Distribution of the Proceeds Fund to Growers

Pursuant to the terms of the Management Agreement the Responsible Entity must deposit the proceeds from the sale of the Australian south sea pearls harvested from the growers' pearl farms into the proceeds fund before payment of all relevant fees and expenses and distribution of the remainder to growers.

(m) Power and Duties

The Responsible Entity must:

- (i) perform the obligations that are imposed on it in the Management Agreements;
- (ii) ensure that all services which are required of it under a Management Agreement are performed in a proper and efficient manner;
- (iii) manage the business, investments and affairs of the project; and
- (iv) ensure any goods or services which are required to be provided or performed under the terms of the Management Agreement are provided or performed in accordance with any contractual rights of growers and the terms disclosed in this PDS.

(n) Limitation of Liability

To the extent permitted by law the Responsible Entity is not liable for any loss or damage to any person arising out of any matter where, in respect of that matter:

- (i) it relied in good faith on the services of, or information or advice from any person appointed by it;
- (ii) it acted as required by any law; or
- (iii) it relied in good faith upon any signature, marking or documents.

(o) Appointment of Agents

The Responsible Entity may appoint any person to perform any task or carry out any services it thinks fit, but the Responsible Entity is taken to have done (or failed to do) anything that any person appointed by it has done (or failed to do) because of that appointment.

(p) Transfer and Transmission

Assignment of interests in the project is governed by the terms of the Management Agreement. Clause 21 of the Constitution contains details of certain administrative and procedural matters relating to assignment. Clause 22 of the Constitution deals with the transmission of the grower's interests in the event of death, bankruptcy or mental incapacity of a grower.

(q) Retirement and Removal

The Responsible Entity may only retire as Responsible Entity of the project in accordance with section 601FL of the Corporations Act. The Responsible Entity may only be removed as Responsible Entity of the project in accordance with sections 601FM or 601FN of the Corporations Act.

(r) Register

The Responsible Entity must keep an up to date register of growers.

(s) Meetings

Meetings of growers shall be held in accordance with the provisions of Part 2G.4 of the Corporations Act.

(t) Accounts

At the end of each financial year the Responsible Entity must prepare or cause to be prepared all reports required to be prepared by Part 2M of the Corporations Act and must send copies of those reports to all growers.

(u) Modification of Constitution

Subject to section 601GC of the Corporations Act, the Constitution may be modified by the Responsible Entity or by special resolution of growers.

11.2 Compliance Plan

The Responsible Entity has prepared a Compliance Plan as required by the Corporations Act to ensure that it meets its obligations as the Responsible Entity of the project and the rights of growers are protected.

Part 5C.4 of the Corporations Act states that the Compliance Plan of a registered scheme must set out adequate measures that a Responsible Entity is to apply in operating the registered scheme to ensure compliance with the Corporations Act and the Constitution of the registered scheme.

The Compliance Plan includes procedures for ensuring that:

- (a) project property is clearly identified as project property and held separately from the property of the Responsible Entity and property of any other scheme;
- (b) the Compliance Committee functions properly;
- (c) the project property is valued at regular intervals appropriate to the nature of the property;
- (d) the Compliance Plan is audited; and
- (e) adequate records of the operations of the project are kept.

It is a requirement of the Corporations Act that the arrangements listed above are specifically dealt with.

In addition the Compliance Plan sets out procedures in relation to:

- (a) the establishment and operations of the Compliance Committee;
- (b) the appointment of a Compliance Officer and the duties of, and reports to be prepared by, the Compliance Officer;
- (c) conduct of business issues, such as procedures in relation to insurance, income collection and distribution, promotion, pricing and distribution of the project and project fees and expenses;
- (d) related party issues;
- (e) appointment and monitoring of external service providers;
- (f) the handling of complaints;
- (g) the training, recruitment and experience of staff;
- (h) monitoring compliance with the conditions of the Australian Financial Services Licence held by the Responsible Entity ('Licence');
- (i) reporting breaches of the Corporations Act, the Constitution, industry standards, internal policy or the licence conditions; and
- (j) continuous disclosure.

11.3 Management Agreement

Growers under this PDS will be issued a Management Agreement pursuant to which the Responsible Entity as the owner of the pearl farm, the oysters, quota, long line systems and panels, will grant to the grower an interest.

The Management Agreement includes, in summary, the following terms and conditions:

(a) Grant of Access Right

Upon acceptance by the Responsible Entity of an applicant's application to enter into a Management Agreement, a Management Agreement will be executed by the Responsible Entity as attorney for and on behalf of the applicant.

Pursuant to the Management Agreement the Responsible Entity grants to the grower, for the purpose of cultivating, producing and harvesting Australian south sea pearls in accordance with good industry practice a right to access the grower's pearl farm for the term, subject to the terms and conditions of the Management Agreement.

(b) Provision of Panels, equipment and infrastructure

The Responsible Entity will provide, in addition to the panels acquired by growers as part of their subscription sum, the grower with all required infrastructure in order for the grower to cultivate and harvest pearls.

(c) Grower's Rights and Obligations

The grower has the right under the Management Agreement to carry on the business of running a pearl farm, and for that purpose may inspect the grower's pearl farm upon giving reasonable notice to the Responsible Entity.

(d) Maintenance of Project Property

The Responsible Entity is obliged to keep the pearl farm and all plant and equipment and infrastructure used in the pearl farm, in good repair.

(e) Management Services

The grower appoints the Responsible Entity to manage and administer the grower's pearl farm and to perform the services under the Management Agreement. The services to be performed by the Responsible Entity are summarised in section 2 of this PDS.

(f) Delegation

The Responsible Entity may engage:

- (i) related bodies corporate of the Responsible Entity;
- (ii) directors or officers of the Responsible Entity; or
- (iii) other persons in any way associated with the Responsible Entity,

as independent contractors, agents, contractors and consultants notwithstanding their relation to the Responsible Entity, provided that such delegation shall comply with all relevant pearling licences, laws, regulations, notices or orders including but not limited to the pearling licences, the Fisheries Act 1988 (NT) and the Fisheries Regulations (NT) relating to the performance of the services.

(g) Fees

The Responsible Entity is entitled to be paid the fees described in section 8 of this PDS, being:

- (i) the subscription sum in consideration for the Responsible Entity performing the initial management services;
- (ii) the deferred management fee in consideration for the Responsible Entity performing the ongoing management services;
- (iii) the deferred management fee shortfall in consideration for the Responsible Entity providing the ongoing management services;
- (iv) the sales and marketing fee in consideration for the sales and marketing services performed by the Responsible Entity as part of the ongoing management services; and
- (v) the bonus.

(h) Option by Grower to collect Australian South Sea pearls

Growers may elect in writing to the Responsible Entity, within 3 months of the commencement date that the grower will collect the harvested pearls and take sole responsibility for the marketing and sale of the harvested pearls. If a grower makes this election, the grower is still liable to pay the subscription sum, the deferred management fee, the deferred management fee shortfall and the bonus.

(i) Sale of Australian South Sea pearls by Responsible Entity

Unless the grower makes the election to collect the pearls and take responsibility for marketing and sale of the pearls, the pearls shall be pooled with the growers' pearls for the purpose of marketing and sale of the growers' pearls. The Responsible Entity is appointed as the grower's exclusive agent for the purpose of marketing and selling the grower's pearls, including negotiating sales contracts.

(j) Proceeds of Sale

The proceeds of the gross pearl sales will be deposited into the proceeds fund. The Responsible Entity (within 30 days of the sale of the pooled pearls) will:

- (i) calculate the grower's proportional interest in the gross pearl sales;
- (ii) apply the grower's proportional interest in the gross pearl sales in the following priority:
 - (A) firstly by deducting from the grower's proportional interest in the gross pearl sales, the sales and marketing fee;
 - (B) secondly, by deducting payment of the deferred management fee;
 - (C) thirdly, by deducting payment of the bonus payable by the grower (if any);
 - (D) fourthly, if directed by the grower, by deducting payment of the deferred management fee shortfall (if payable); and
 - (E) fifthly, by distributing the grower's proportional interest in the gross pearl sales, net of the expenses and deductions set out above.

(k) Insurance

The Responsible Entity shall use its reasonable endeavours to take out and ensure the currency of a public risk insurance policy to cover the liability of the Responsible Entity, and the grower, in respect of public risk which will be not less than \$5,000,000.

The Responsible Entity shall also, at the grower's cost, use its reasonable endeavours to arrange insurance of the oysters on behalf of the grower, against destruction or damage by cyclone or other natural disaster or environmental pollution.

(l) Removal of Responsible Entity

The Responsible Entity may be removed by a resolution of 75% of the growers passed at a duly convened meeting in accordance with the Constitution.

(m) Appointment of new Responsible Entity

On the removal of the Responsible Entity, the growers may appoint a new Responsible Entity by a resolution of 75% of the growers. The new Responsible Entity must execute a document agreeing to be bound by the Management Agreement, and the Constitution, and will be subject to the same rights and obligations as the previous Responsible Entity.

Amounts payable to the Responsible Entity under the Management Agreement will be apportioned between the old Responsible Entity and the new Responsible Entity on a pro-rata basis.

(n) Retirement of Responsible Entity

The Responsible Entity may retire in accordance with the Constitution.

(o) Assignment

The grower may assign the Management Agreement with the Responsible Entity's consent and provided that the assignee has signed a deed of covenant with the Responsible Entity under which the assignee agrees to be bound by the terms of the Management Agreement and releases the Responsible Entity from claims.

(p) Default and Termination

The Responsible Entity may terminate the Management Agreement if the grower breaches any of the grower's covenants and if the grower fails to rectify the breach within the time specified by the Responsible Entity by notice.

(q) Termination by Grower

The grower may terminate the Management Agreement if the Responsible Entity breaches a material obligation under the Management Agreement or if the growers resolve to wind up the project under the Constitution, or the Responsible Entity becomes insolvent.

(r) Apportionment of Annual Earnings

If the grower removes the Responsible Entity, then any amounts payable to the Responsible Entity in accordance with the Management Agreement will be apportioned pro-rata between the retiring Responsible Entity and the new Responsible Entity based on the length of time that the relevant Responsible Entity's appointment under the Management Agreement bears to the term of the Management Agreement.

(s) General

- (i) No partnership is formed between the grower and the Responsible Entity or other growers.
- (ii) The Responsible Entity agrees to duly and punctually perform its obligations under the Management Agreement and indemnifies the grower in respect of any consequences of failure of the Responsible Entity to do so.
- (iii) the grower appoints the Responsible Entity its attorney to sign documents and do all things necessary to comply with any duty or obligation of the grower under the Management Agreement.
- (iv) The grower authorizes the Responsible Entity to complete any blanks in the Management Agreement.
- (v) The Management Agreement is governed by the laws of Western Australia.
- (vi) The Responsible Entity is responsible for any stamp duty and legal fees in respect of the Management Agreement.
- (vii) Any variation to the Management Agreement must be in writing.

12. Additional Information

12.1 Minimum Subscription

As noted elsewhere in this PDS, there is no minimum amount that must be raised under this PDS.

12.2 Special Permit

The Responsible Entity will apply on behalf of the grower, for a special permit, under paragraph 17(1)(e) of the Fisheries Act 1988 (NT), for the grower to establish and carry on the business of cultivating pearls on the grower's pearl farm in accordance with the terms and conditions of the Management Agreement. The special permit is conditional on the grower:

- (a) engaging in aquaculture in accordance with the conditions specified in the pearling licences;
- (b) engaging in pearl aquaculture in accordance with the terms and conditions of the Management Agreement;
- (c) lodging an executed copy of the Management Agreement with the Director of the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources;
- (d) not varying the terms of the Management Agreement without the approval of the Director of the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources;
- (e) causing the Responsible Entity to notify the Director of the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources if the Management Agreement is terminated; and
- (f) providing to the licensee, pearling sales data to effect the accurate completion of the document titled "Pearl Oyster Aquaculture Statistical Returns".

The Special Permit:

- (a) expires on the completion date noted in the Management Agreement;
- (b) does not apply to persons who cease to become a grower under the Management Agreement;
- (c) expires if the Pearling Licences held by the Responsible Entity are cancelled or not renewed;
- (d) does not expire on the transfer of Arafura Pearls Holdings Limited's pearl oyster licenses provided that the prospective transferee has satisfied the Director of Fisheries that the operation of the Management Agreement with the growers will continue in the same manner as the arrangement with Arafura Pearls Holdings Limited; and
- (e) is suspended if at any time the pearling licences are suspended.

12.3 Buy Back

As a grower you will not have any right to require that your interest be repurchased by the Responsible Entity or any other person. In entering into the investment you should be aware that there is currently no existing secondary market for interests.

12.4 Transfer of Interests

If you wish to transfer your interests and ongoing obligations in its entirety to another party you should contact the Responsible Entity, as the consent of the Responsible Entity is required. The transfer is subject to the requirements of the Corporations Act, the Constitution and the Management Agreement.

Further details about transferring Interests are set out in the Constitution and the Management Agreement.

12.5 Insurance

The Responsible Entity, on behalf of growers, will use its reasonable endeavours to take out public liability insurance to cover the Responsible Entity and the growers' liability in respect to their interests under the Management Agreements, in which the limit of the public risk (being the amount which may be paid arising out of a single claim) will not be less than \$5,000,000.

The Responsible Entity will investigate insurance of the oysters against destruction or damage by cyclone or other environmental disaster or environmental pollution. If such coverage is able to be arranged on commercially acceptable terms, it will be compulsory for growers to take up this coverage.

The Responsible Entity will not in any way be liable if it is unable to obtain appropriate shell stock insurance or if it would be impracticable or uncommercial to obtain the available cover.

Any moneys recoverable under the insurance policies referred to above will be paid to the Responsible Entity which will distribute monies so received to the relevant growers in proportion to their interest in the relevant claim, after deduction of amounts payable to the Responsible Entity under the Management Agreement.

The cost of all insurances except for the Public Liability insurance will be met by the growers on a pro rata basis. Growers will be invoiced after the insurance has been arranged, and growers must pay the invoice within 7 days of receipt.

Growers may claim all insurance costs as a taxation deduction and, if registered for GST, may claim an input tax credit for the GST proportion.

12.6 Complaints

If you have a complaint about any aspect of the project you should:

- contact the Responsible Entity in writing (refer to the Corporate Directory for contact details); or
- contact the Responsible Entity by telephone (08 9382 4818) and ask to speak with the Complaints Handling Officer.

The Responsible Entity will acknowledge the complaint within 5 business days of receiving it, and resolve the complaint in a timely fashion. If the complaint cannot be resolved within 10 business days of acknowledgement then the Responsible Entity will maintain monthly contact with you informing you of the progress and estimated time frame for resolution of the complaint.

If you are dissatisfied with the resolution of the complaint then:

- you may refer the matter to Financial Ombudsman Service which is an external complaints resolution scheme of which the Responsible Entity is a member;
- access the project's dispute resolution procedures (refer to section 12.7 of this PDS); and
- pursue any other remedies available at law.

12.7 Dispute Resolution Procedures

Once the complaints handling procedures (refer to section 12.6) are exhausted you have the option of accessing the project's dispute resolution procedures. This is done by providing a dispute notice setting out what is in dispute, the arguments of the party giving the notice and that party's opinion as to what should be done to rectify the dispute. The Responsible Entity must respond in writing to the dispute notice.

If the dispute is not resolved by the Responsible Entity's response then the matter will be referred to an independent person who will attempt to resolve the dispute in conference. If the parties remain unable to resolve the dispute then a party may refer the dispute to an independent expert consultant whose decision on the matter will be final and binding.

Further details about dispute resolution processes are set out in the Constitution.

12.8 Confirmation of Transactions

You will receive confirmation of transactions occurring in relation to your project Interests as required by the Corporations Act. Generally this will include confirmation of the transaction by which you as a successful applicant acquire your interests in the project and become a grower.

12.9 Default

If you default in your payment of any fees, the Responsible Entity may terminate your Management Agreement in accordance with its terms and may sue to recover Fees due under the Management Agreement.

12.10 Cooling Off Period

If you make an Application under this PDS you have the right to withdraw the Application and obtain a refund (less any amounts the Responsible Entity is entitled to deduct by law) within a 14 day cooling off period. The cooling off period is as defined in Sections 1019A and 1019B of the Corporations Act. Your right is subject to the limitations set out in the Corporations Act. The cooling off period begins either from the day the Responsible Entity accepts your Application in writing or 5 days after the Responsible Entity issues you an Interest in the Project, whichever occurs first. The right to withdraw the Application cannot be exercised at any time after you have exercised a right or power under the Project.

The cooling off period is extinguished once you have signed a Management Agreement (or the Responsible Entity signs a Management Agreement on your behalf under a Power of Attorney from you) even if the cooling off period may not then have expired.

12.11 Disclosure of Interests

The Directors have relevant interests in Securities in the Responsible Entity as set out in its 2008 Annual Report as follows:

Director	Shares
Andrew MR Hewitt	13,642,322
Mark Ceglinski	300,635
Jeffery AS Mews	326,279
Christopher J Cleveland	10,000

12.12 Fees and Benefits

Tilbrook Rasheed as taxation advisors to the Responsible Entity is paid professional fees in respect of accounting services provided to the Responsible Entity on an ongoing basis.

Steinepreis Paganin as solicitors to the Responsible Entity is paid professional fees in respect of legal services provided to the Responsible Entity on an ongoing basis.

Serena Sanders has prepared the Independent Expert Report included in section 9 of this PDS. The Responsible Entity paid \$6,000 (ex GST) for the provision of this report.

12.13 Consents

Steinepreis Paganin has given its consent to being named in this PDS in the form and context in which it is included.

Tilbrook Rasheed has given its consent to being named in this PDS in the form and context in which it is included.

Serena Sanders has given her written consent to being named as the Independent Expert and to the inclusion of the Independent Expert Report in this PDS, in the form and context in which it appears.

13. Directors' Authorisation

This PDS is issued by the Responsible Entity and its issue has been authorised by a resolution of the Directors.



Andrew M R Hewitt
Chief Executive Officer

For and on behalf of
Arafura Pearls Holdings Limited

14. Glossary

Where the following terms are used in this PDS they have the following meanings:

A\$ or \$ means an Australian dollar.

Applicant means an applicant under this PDS to acquire an Interest.

Application Form means the application form accompanying this PDS relating to the offer to acquire an Interest.

Application Fund means a fund to hold the application money.

Application Money means the total amount payable on application by an applicant in accordance with the relevant application form completed and executed by the applicant for one or more interests.

Application Price means the price that is payable for a project interest on application by an applicant. In the Management Agreement, it is referred to as the subscription sum.

ASIC means Australian Securities & Investments Commission.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors as constituted from time to time.

Bonus means the bonus described in section 8 of this PDS.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Closing Date means 15 June 2009.

Commencement Date means the date when a grower enters into the Management Agreement.

Compliance Plan means the compliance plan of the project.

Constitution means the Constitution of the project.

Corporations Act means the Corporations Act 2001 (Cth).

Culture Licence means the pearl oyster culture industry licence, or such other license(s) issued by the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources from time to time.

Deferred Management Fee means the deferred management fee payable in consideration for the performance of the ongoing management services, described in section 8 of this PDS.

Deferred Management Fee Shortfall means the deferred management fee shortfall described in section 8 of this PDS.

Directors means the directors of the Responsible Entity at the date of this PDS.

Election means an election to collect the Australian south sea pearls and to take sole responsibility for the marketing and sale of those pearls in accordance with the Management Agreement.

Fees means the deferred management fee, the deferred management fee shortfall, the sales and marketing fee, the bonus and the subscription sum.

Fishery Licence means the pearl oyster fishery licence, or such other license(s) as the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources issues from time to time.

Gross Pearl Sales means the gross amount received by the Responsible Entity from the sale of the pooled non-electing growers' pearls.

Grower means a grower as the result of the allotment of an Interest pursuant to this PDS.

Grower's Harvest Interest means the number of pearls that are produced, and harvested from the grower's Interest.

Grower's Pearl Farm has the same meaning as the grower's interest.

Grower's Proportional Interest means the proportion that the grower's harvest interest bears to the non-electing interests of all non-electing growers of the project.

GST means any tax imposed by or through the GST Legislation on a supply (without regard to any input tax credit).

GST Legislation means A New Tax System (Goods and Services Tax) Act 1999 (Cth) and any related tax imposition act (whether imposing tax as a duty of customs excise or otherwise) and includes any legislation which is enacted to validate, recapture or recoup the tax imposed by any such acts.

Harvest means the steps required to remove the pearls from the oysters that have survived and retained the nucleus inserted during seeding.

Initial Management Services means those services performed by the Responsible Entity in establishing the grower's pearl farm, described in section 2 of this PDS.

Interest means the oysters, the panels and that part of the pearl farm that the grower has the right to use and access for the purpose of cultivating pearls under the Management Agreement.

Long Line System means surface, sub-surface and bottom long lines used for cultivating and producing pearls.

Kan means a traditional measure for pearls (1 kan equals 3.75 kg or 1,000 momme).

Management Agreement means the form of the agreements comprising the Management Agreement attached to this PDS.

Minimum Application Price means the minimum application price of \$12,600 (plus GST) comprising of an application for a minimum of two (2) project interests.

Momme means the traditional unit of measure for pearls (1 momme equals 3.75 grams and 1,000 momme equals 1 kan).

Non-Electing Growers means growers who do not make the election or who are deemed to not have made the election.

Non-Electing Interest means the aggregate of the number of pearls that are produced and harvested in a harvest undertaken by the Responsible Entity on behalf of the non-electing growers on the pearl farm.

Offer means the offer to invest in the Arafura Pearl Project 2009.

Offer Period means the period commencing on the date of issue of the PDS and expiring on 15 June 2009, unless the Directors determine in their absolute discretion to close the offer period earlier.

Ongoing Management Services means the services described in section 2 of this PDS.

Option means an option to subscribe for a share.

Oysters means adult hatchery reared oysters of the genus *Pinctada maxima* that are grown from spat by the grower on the pearl farm, and where appropriate includes spat.

Panels mean the structures secured to the long line system used for cultivating and producing pearls.

PDS means this product disclosure statement.

Pearl Farm means the pearl farm established by the Responsible Entity on the site on which growers will conduct a commercial enterprise for the cultivation and production of Australian south sea pearls as described in this PDS.

Pearling Licences means the culture licence and the fishery licence.

Proceeds Fund means a fund to hold the proceeds from the sale of Australian south sea pearls harvested from the growers pearl farm.

Product Ruling means the product ruling described in section 4.5 of the PDS.

Project means the Arafura Pearl Project 2009 ARSN 136 002 938.

Project Interest means the right to 405 hatchery produced spat at the commencement date and 13 grower's panels, together with the right to use and access the Responsible Entity owned panels and the pearl farm for the purpose of cultivating pearls.

Project Term means approximately 6.5 years.

Quota is the right to seed virgin shell and comprises a number of "units" (1 unit equals 1,000 shell).

Responsible Entity means Arafura Pearls Holdings Limited (ABN 88 092 266 067).

Sales and Marketing Fee means the sales and marketing fee described in section 8 of this PDS.

Securities mean fully paid ordinary shares in the capital of the Responsible Entity.

Share means a fully paid ordinary share in the capital of the Responsible Entity.

Shareholder means a holder of a fully paid ordinary share in the capital of the Responsible Entity.

Site means the site in which the pearl farm is established and as identified in the relevant lease areas.

Spat means the juvenile hatchery reared oysters of the genus *Pinctada maxima*.

Special Permit means the special permit required under the Fisheries Act 1988 (NT) to operate the business of cultivating and harvesting pearls, described in section 12.2 of this PDS.

Subscription Sum means the amount required to be paid to acquire a project interest in the project which comprises \$6,300 (plus GST) for one (1) project interest. It has the same meaning as the "application price".

Terms Payment Facility means the facility on the terms attached to this PDS whereby the Responsible Entity accepts a grower paying 10% of the application money on or before 15 June 2009 with the balance of the application money being payable, without the imposition of interest, in nine further equal monthly instalments.

WST means Western Standard Time, Perth, Western Australia.



Arafura Pearls Holdings Ltd

ACN 092 266 067

Persons intending to use an electronic version of the Application Forms should note the following:

1. The Application Forms in this document relate to the Arafura Pearl Project 2009 (ARSN 136 002 938) (project) pursuant to a PDS dated 8 April 2009 (PDS).
2. The Application Forms are accompanied by an electronic version of the PDS which contains information regarding investing in the project. We advise that you read this PDS carefully before applying for any project interests.
3. Persons who access the PDS in electronic form should note that an investment in the project is speculative and prospective. The project is a long term aquaculture activity with all the normal risks associated with such a venture. Investors should read sections 3 and 10 of the PDS for a discussion of the key risks of the project. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, lawyer or other professional adviser before deciding whether to invest.
4. A person who gives another person access to the Application Forms must at the same time and by the same means give the other person access to the PDS and any supplementary document.
5. Application forms should include, the Power of Attorney, a completed Part 3 and Parts 4, 5 or 6 (as appropriate), the application for a permit and the application to nominate a natural person to take control of a licensed operation (if applicable) under sections 17 and 14 of the Fisheries Act 1988 (NT) (Fisheries Act). Applicants who wish to apply to pay under the Terms Payment Facility should also complete and lodge the Terms Payment Facility Application Form (see attached) together with the application fee of \$140.
6. The Responsible Entity will execute the Management Agreement for itself and on behalf of the Applicant pursuant to the Power of Attorney granted to the Responsible Entity on or before the project commencement date.
7. The offer to subscribe for project interests referred to in the PDS is available to Australian residents. The PDS does not constitute an offer of securities or financial products in any jurisdiction where, or to any person to whom, it would be unlawful to issue the PDS.
8. Whilst the PDS is current, Arafura Pearls Holdings Ltd will send copies of the PDS, any supplementary document and the Application Form, on request and without charge. In this regard, please contact:

Arafura Pearls Holdings Ltd
PO Box 1099, Subiaco, WA 6904
Suite 25, Level 3, 22 Railway Road, Subiaco, WA 6008

Telephone: (08) 9382 4818
Facsimile: (08) 9388 6456
Email: dhewitt@arafurapearls.com.au

Application and Power of Attorney Form Booklet

How To Apply

- 1 Before completing and signing this Application and Power of Attorney Application Form Booklet (**Application Form or Application and Power of Attorney Application Form Booklet**) you should read the whole of the PDS dated 8 April 2009 attached to or accompanying this booklet.
- 2 Carefully read **Part 1** and **Part 2** of this Application and Power of Attorney Application Form Booklet.
- 3 You must complete **Part 3** of this Application and Power of Attorney Application Form Booklet.
You must **also** complete the following sections of the Application Form:
 - If you are applying as an individual, complete:
 - i. **Part 4**; and
 - ii. **Part 7**, being the form titled "Application for a Section 17 Permit" (required under s17 of the Fisheries Act (NT)).
 - If you are applying as a company, complete:
 - i. **Part 5**; and
 - ii. **Part 7**, being the form titled "Application for a Section 17 Permit" (required under s17 of the Fisheries Act (NT)); and
 - iii. **Part 8**, being the form titled "Application to Nominate a Natural Person to Take Control of a Licensed Operation under Section 14 of the Fisheries Act" (required under s14 of the Fisheries Act (NT)).
 - if you are applying as trustee of a trust or superannuation fund, complete:
 - i. **Part 6**; and
 - ii. **Part 7**, being the form titled "Application for a Section 17 Permit" (required under s17 of the Fisheries Act (NT)); and
 - iii. **Part 8**, being the form titled "Application to Nominate a Natural Person to Take Control of a Licensed Operation under Section 14 of the Fisheries Act" (required under s14 of the Fisheries Act (NT)).
- 4 Please sign and date the relevant Parts of the Application and Power of Attorney Form Booklet and return as soon as possible.
- 5 Please ensure the Application and Power of Attorney Form Booklet remains together or stapled.
- 6 **Checklist for lodging your application**

Before submitting your application check that you have completed each relevant part of the Application Form:

- Part 3 COMPLETED
- Part 4 COMPLETED (if you are an individual)
- Part 5 COMPLETED (if you are a company)
- Part 6 COMPLETED (if you are a trustee of a trust or of a superannuation fund)
- Application and Power of Attorney Form Booklet COMPLETED, SIGNED AND WITNESSED (by an unrelated party) in original document format.
- Application for a Section 17 Permit — **all applicants to COMPLETE.**
- Application to nominate a natural person to take control of a licensed operation under Section 14 of the Fisheries Act — **all company or trustee applicants to COMPLETE.**
- Application Money (for payment methods, see part 1) with your financial advisor or deliver them to the office of Arafura Pearls Holdings Ltd described below.

Head Office

Suite 25, Level 3, 22 Railway Road, Subiaco, WA 6008
Telephone: (08) 9382 4818
Facsimile: (08) 9388 6456

Part 1

Your Details

- Applicants must be one or more individuals, a company or a trustee;
- Joint applicants will be deemed to be holding their Project Interests as tenants in common unless requested otherwise;
- Please provide your full telephone, fax and e-mail details in case we need to contact you quickly; and
- Please also provide your ABN if one has been issued to you.

Your Project Interests and Payment Details

- An applicant must apply for a minimum of 2 Project Interests at the minimum application amount of \$12,600 (plus GST) (\$6,300 (plus GST) per Project Interest).
- If you are accepted as an investor for the Project, your Application Money per Project Interest is \$6,300 (plus GST) to be paid in full by 15 June 2009.

Payment Options

The following payment options are available, however, please note that these payment options are set out in order of preference given to Applications:

- Applicants may pay their Application Money in full in accordance with methods of payment set out below together with their completed Application and Power of Attorney Form Booklet; or
- Applicants may submit a 10% deposit with their Application and Power of Attorney Form Booklet with the balance of the Application Money to be paid in accordance with the Terms Payment Facility (see application attached), if applicable (see below), on or before 15 June 2009; or
- Applicants may submit an Application form without a deposit with the whole amount to be paid on or before 15 June 2009.

Applicants should note that the Terms Payment Facility is a limited offer. If you are not accepted into this finance facility, payment of the balance of Application Money owing must be received by the Responsible Entity by 15 June 2009. Failure to do so, may result in the Responsible Entity terminating the Management Agreement. Please refer to the PDS (section 6 for more detail).

It is the Applicant's responsibility to ensure that it can secure the funds required to satisfy their obligation to pay the Application Money. The Responsible Entity does not provide, procure or arrange finance aside from the Terms Payment Facility (application follows).

Methods of Payment

You may pay by:

- (a) delivering a cheque made payable to "Arafura Pearls — Project Account" and crossed "Not Negotiable", together with a completed Application and Power of Attorney Form Booklet must reach the address below by the Closing Date:

Arafura Pearls Holdings Ltd
PO Box 1099, Subiaco, WA 6904
Suite 25, Level 3, 22 Railway Road, Subiaco, WA 6008
Telephone: (08) 9382 4818
Facsimile: (08) 9388 6456

- (b) direct debit into the Project's bank account set out below:

Bank:	Commonwealth Bank of Australia
BSB:	066-000
Account Number:	1084 3465
Account Name:	Arafura Pearls — Project Account

and provided that you also submit your completed Application and Power of Attorney Form Booklet to the address noted above. The above account is also to be used for approved persons under the Terms Payment Facility.

Signature and Declarations

Each Application Form must be signed by the applicant personally. Joint applicants must each sign the Application Form. An application by a company must be signed in accordance with its constitution. A copy of the constitution need not be provided. The form should also be dated.

Electronic PDS

The Corporations Act prohibits any person from passing on to another person the Application Form unless the Application Form is attached to a complete and unaltered copy of the electronic PDS. Any person may obtain a hard copy of this PDS free of charge by contacting the Responsible Entity during the Offer Period.

If you apply for Project Interests on the basis of the Application Form attached to the electronic PDS, you are deemed to declare to us that you personally received the electronic PDS, or a print out of it, attached to the Application Form before applying for Project Interests.

Part 2

Power of Attorney

By completing relevant sections of this Application and Power of Attorney Form Booklet, you agree to appoint ARAFURA PEARLS HOLDINGS LTD as your attorney on the following terms:

I/we, the person named in the “Your Details” section In the Application and Power of Attorney Form Booklet appoint ARAFURA PEARLS HOLDINGS LTD (ACN 092 266 067) of Level 3, 22 Railway Road, Subiaco, Western Australia (Attorney) to be my/our attorney and in my/our name and on my/our behalf and as my/our act and deed to:

- enter into and execute on my/our behalf a Management Agreement in respect of the Project Interests for which I/we have applied and which Arafura Pearls Holdings Ltd accepts (Management Agreement);
- vary, replace or cancel the Management Agreement and execute, vary, replace or cancel any other documents which are referred to in or which are ancillary or related to, the Management Agreement; and
- appoint one or more substitute attorneys to exercise the powers granted to the Attorney and to revoke any appointment of any substitute attorney or attorneys made under this document,

and to do all things necessary or expedient to give effect to those documents, including, but not limited to, dating and completing any blanks in the Management Agreement, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to the interests of the Applicant, on the terms and conditions and subject to the acknowledgements in Part 2 of this booklet.

Terms and Conditions of Power of Attorney

By granting the Power of Attorney to Arafura Pearls Holdings Ltd you do so on the following terms and conditions:

1. you will ratify and confirm whatever the Attorney does in the exercise of the power granted by you;
2. you will indemnify and keep indemnified the Attorney against all claims, demands, costs, damages, losses and expenses, however arising, consequent upon the exercise of the power granted by you except in the event of gross neglect, fraud or wilful default by the Attorney;
3. the Attorney may, and where required will, stamp and register this instrument at the cost of the Applicant;
4. any person or corporation dealing with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this Power of Attorney has not been revoked as conclusive evidence of that fact;
5. this Power of Attorney is irrevocable until the expiration of the Project under the Constitution;
6. the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation;
7. this Power of Attorney will be governed by and construed in accordance with the laws of Western Australia; and
8. words and expressions used in this Power of Attorney have the same meanings as in the Constitution unless the contrary requires.

Declarations

By signing the Application and Power of Attorney Form, you make the following declarations:

- That you have read the PDS for the Project to which this Application Form relates;
- That you acknowledge that Arafura Pearls Holdings Ltd has the right to accept or reject your application;
- That you agree to be bound by the Constitution and irrevocably appoint Arafura Pearls Holdings Ltd as your attorney to enter into the Management Agreement; and
- That you understand that by becoming a party to the Constitution and the Management Agreement you irrevocably appoint Arafura Pearls Holdings Ltd as your attorney to enter into any contract for the sale of the Grower’s pearls.

Part 3 – All Applicants to Complete

Applicant Name (e.g. John Smith)

Project Interests Applied For

	Number of Project Interests (a minimum of 2 Project Interests is required)	Application money due \$	Amount Paid with this application \$	Amount outstanding (payable on or before 15 June 2009)* \$
\$6,930 per Project Interest (inclusive of \$630 GST)				

* Unless accepted for payment under the Terms Payment Facility.

Method of Payment (whether for the deposit or the full Application Money)

- Cheque enclosed (all cheques must be made payable to "Arafura Pearls — Project Account" and crossed "Not Negotiable"); or
- Application Money paid via direct debit into "Arafura Pearls — Project Account"

Return this booklet to the office of Arafura Pearls Holdings Ltd (AFSL No 296246) at the following address:

Arafura Pearls Holdings Limited
 PO Box 1099, Subiaco, WA 6904

If you are an individual please complete Parts 4 and 7 of this booklet.

If you are a company please complete Parts 5, 7 and 8 of this booklet.

If you are a trustee please complete Parts 6, 7 and 8 of this booklet.

Part 4 — Individual Applicants to Complete

Please read Parts 1 and 2 of this booklet before completing this form.

PLEASE COMPLETE IN BLOCK LETTERS

Applicant Details

Dr/Mr/Mrs/Miss First Name _____ Surname _____

Residential Address _____

Suburb/Town/City _____ State _____ Postcode _____

Mailing Address (if different from above) _____

Suburb/Town/City _____ State _____ Postcode _____

ABN _____ Are you registered for GST? Yes No

Occupation _____ Date of Birth ____/____/____

Tel (Work) _____ Tel (Home) _____ Mobile _____

Fax _____ Email _____

Joint Applicant (if applicable)

Dr/Mr/Mrs/Miss First Name _____ Surname _____

Residential Address _____

Suburb/Town/City _____ State _____ Postcode _____

Mailing Address (if different from above) _____

Suburb/Town/City _____ State _____ Postcode _____

ABN _____ Are you registered for GST? Yes No

Occupation _____ Date of Birth ____/____/____

Tel (Work) _____ Tel (Home) _____ Mobile _____

Fax _____ Email _____

Date of Signing ____/____/____

Signed _____ (Joint Applicant Signature) _____

Witness _____ Witness _____

Wealth Focus Pty Ltd
PO Box 760
Manly NSW 1655
Tel: 1300 559 869
AFSL: 314872

Part 5 — Company Applicants to Complete

Please read Parts 1 and 2 of this booklet before completing this form.

PLEASE COMPLETE IN BLOCK LETTERS

Your Details

Company Name _____

Residential Address _____

Suburb/Town/City _____ State _____ Postcode _____

Mailing Address (if different from above) _____

Suburb/Town/City _____ State _____ Postcode _____

ABN _____ Are you registered for GST? Yes No

Contact _____ Tel _____

Mobile _____ Fax _____

Email _____

Date of Signing _____ / _____ / _____

Are you the sole director? Yes No

Executed in accordance with the Corporations Act by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

Part 6 — Trusts or Superannuation Funds to Complete

Please read Parts 1 and 2 of this booklet before completing this form.

PLEASE COMPLETE IN BLOCK LETTERS

Trustee #1 Details

Dr/Mr/Mrs/Miss First Name/Company Name _____ Surname _____
Residential Address _____
Suburb/Town/City _____ State _____ Postcode _____
Mailing Address (if different from above) _____
Suburb/Town/City _____ State _____ Postcode _____
ABN _____ Are you registered for GST? Yes No
Occupation _____ Date of Birth ____/____/____
Contact _____
Tel (Work) _____ Tel (Home) _____ Mobile _____
Mobile _____ Fax _____
Email _____

Trustee #2 Details

Dr/Mr/Mrs/Miss First Name/Company Name _____ Surname _____
Residential Address _____
Suburb/Town/City _____ State _____ Postcode _____
Mailing Address (if different from above) _____
Suburb/Town/City _____ State _____ Postcode _____
ABN _____ Are you registered for GST? Yes No
Occupation _____ Date of Birth ____/____/____
Contact _____
Tel (Work) _____ Tel (Home) _____ Mobile _____
Mobile _____ Fax _____
Email _____

Your Details

Name of trust or superannuation fund _____

Is the trust or superannuation fund registered for GST? Yes No ABN _____

Date of Signing ____/____/____ Are you the sole director? Yes No

Executed in accordance with the Corporations Act by: _____

Where trustee is a company, sign below.

Director _____

Print Name _____

Director/Secretary _____

Print Name _____

Where trustees are individuals, sign below.

Trustee #1 signed _____

Witness _____

Trustee #2 signed _____

Witness _____



NORTHERN TERRITORY FISHERIES ACT
APPLICATION FOR A SECTION 17 PERMIT

Full name of applicant:
Date of Birth:
Residential Address:
Postal Address:
Company or Institution:
Telephone: (W) (H) Fax:

Please complete all sections of this form. If additional space is needed attach a separate page. Allow a minimum of 7 working days for processing of permit application. Forms not completed will be returned to applicant.

- 1. What is the reason for the permit? Engaging in pearl oyster culture under the terms and conditions of the Management Agreement - Arafura Pearl Project 2009.
2. What type of collecting equipment do you intend to use? Please provide full details. Not applicable.
3. List the fish or aquatic life species you wish to collect under this application. Not applicable.
4. Numbers and maturity of species Not applicable.
5. What is your intended area of operation? Attach a map if possible. Those areas described as approved locations on Arafura Pearls Pty Ltd and Arafura Pearls Holdings Ltd's Pearl Oyster Culture Industry Licenses.
6. What do you plan to do with fish or aquatic life retained? Not applicable.
7. Do you intend to use a vessel? Yes or No As per vessels registered to Arafura Pearls Holdings Ltd and Arafura Pearls Pty Ltd.
8. Will a report be produced from this study? Yes or No
9. What period do you need the permit for? From 15/06/2009 to 31/12/2015
10. Will any fish or aquatic life be taken for another institution or person? Yes or No If yes, which institution or person?

Signature of Applicant: Date:

Aquaculture OFFICE USE ONLY Management

Approved/Not Approved: Date: (subject to conditions) (Director of Fisheries or Delegate)

Permit Number

Empty box for Permit Number



NORTHERN TERRITORY FISHERIES ACT

Application to NOMINATE A NATURAL PERSON TO TAKE CONTROL OF A LICENSED OPERATION UNDER SECTION 14(1) OF THE FISHERIES ACT

Any previous approval is cancelled upon approval of this application.

The approved person is responsible, subject to the Act, for complying with Fisheries legislation in relation to the licence.

Name of Licensee: _____ License No: _____ (Section 17 permit)

Name is Public Officer (Corporations): _____

Hereby request the Director or delegate in accordance with Section 14(1) to approve:

Approved person's name: _____ Date of Birth: ____/____/____

Residential address: _____

_____ Phone No: _____ Mobile Phone No: _____

To take control of my fishing operation under licence: _____ (Section 17 permit)

During my absence in the period from: _____ 15/6/2009 _____ to _____ 31/12/2015 _____

Reason for absence (specify): _____ as specified in Section 17 permit _____

Vessel Name: _____ Not Applicable _____ Length: _____ Rego No: _____

Approved person's NT Marine qualification: Master IV Master V Coxswain

Signature of Licensee or Public Officer _____ Date _____ Signature of Approved Person _____ Date _____

OFFICE USE ONLY

Time and date application received: _____ by _____ person or fax

Police Check: _____ NT Marine Qualification: _____ Management Officer: _____

Approved/Not Approved: _____ Date: _____ Director or Delegate

Arafura Pearls Holdings Ltd

Terms Payment Application Form

Arafura Pearls Project 2009 (“Project”)

Arafura Pearls Holdings Ltd offers a limited number of Applicants (50% of the maximum subscription) the opportunity to participate in the Terms Payment Facility (Facility) for the 2009 Project.

The repayments due under the Facility are as follows:

- 1) 10% of the Application Money is to be paid by the Applicant as a deposit on or before 15 June 2009;
- 2) 10% of the Application Money is to be paid by the Grower on 31 July 2009;
- 3) 10% of the Application Money is to be paid by the Grower on 31 August 2009;
- 4) 10% of the Application Money is to be paid by the Grower on 30 September 2009;
- 5) 10% of the Application Money is to be paid by the Grower on 31 October 2009;
- 6) 10% of the Application Money is to be paid by the Grower on 30 November 2009;
- 7) 10% of the Application Money is to be paid by the Grower on 31 December 2009;
- 8) 10% of the Application Money is to be paid by the Grower on 31 January 2010;
- 9) 10% of the Application Money is to be paid by the Grower on 28 February 2010; and
- 10) 10% of the Application Money is to be paid by the Grower on 31 March 2010.

Other points to note regarding this Facility include:

- No Interest is payable on this 10 month Facility*;
- The outstanding Application Monies can be paid out by the Grower at anytime before the 10 month expiration;
- There is a \$140 application fee applicable;
- Standard credit terms and conditions apply to this Facility.

Should you wish to apply for payment to occur under this Facility please complete the pages following.
For further information contact our office on (08) 9382 4818.

* In the event of default you may be charged interest on outstanding Application Monies.

Arafura Pearls Holdings Ltd

Terms Payment Facility Application Form

Arafura Pearls Project 2009 (“Project”)

Personal Details — Applicant 1 / Director / Guarantor

Title _____ Surname _____ Given names _____

Date of birth _____ Marital status _____

No. of dependants _____ Age of dependants _____

Address _____ Postcode _____

Time in address _____

Previous address _____ Postcode _____

Time in previous address _____

Drivers licence number _____ State of issue _____

Australian resident? Yes No

Business phone number _____

Home phone number _____

Occupation _____

Name of employer/business _____

Employer business address _____ Postcode _____

Employer phone number _____

Length of current employment Years _____ Months _____

Gross annual income \$ _____

Self employed? Yes No If Yes, Accountants Name _____

Name of previous employer _____

Position held _____

Length with previous employer Years _____ Months _____

Arafura Pearls Holdings Ltd

Terms Payment Facility Application Form

Arafura Pearls Project 2009 (“Project”)

Personal Details — Applicant 2 / Director / Guarantor

Title _____ Surname _____ Given names _____

Date of birth _____ Marital status _____

No. of dependants _____ Age of dependants _____

Address _____ Postcode _____

Time in address _____

Previous address _____ Postcode _____

Time in previous address _____

Drivers licence number _____ State of issue _____

Australian resident? Yes No

Business phone number _____

Home phone number _____

Occupation _____

Name of employer/business _____

Employer business address _____ Postcode _____

Employer phone number _____

Length of current employment Years _____ Months _____

Gross annual income \$ _____

Self employed? Yes No If Yes, Accountants Name _____

Name of previous employer _____

Position held _____

Length with previous employer Years _____ Months _____

Arafura Pearls Holdings Ltd

Terms Payment Facility Application Form

Arafura Pearls Project 2009 (“Project”)

Company Details — Only to be completed if applicant is a company

Name of company _____

Name of trust (if applicable) _____ ACN _____

Registered address _____ Postcode _____

Trading address _____ Postcode _____

Telephone number _____ Facsimile number _____

Date of incorporation _____/_____/_____

Principal activity _____

Details of any debenture charges _____

Personal guarantees will be required for a company under Terms Payment Facility and will be forwarded for execution with the Terms Application.

Particulars to be completed by Directors / Guarantors above.

Arafura Pearls Holdings Ltd

Terms Payment Facility Application Form

Acknowledgement and authority that credit information may be given to a credit reporting agency.

I/We, understand that Section 18E(c) of the Privacy Act allows Arafura Pearls Holdings Ltd or its agents to give a credit reporting agency certain personal information about me/us which I/we authorise Arafura Pearls Holdings Ltd or its agents to do. The information which may be given to a credit reporting agency is covered by Section 18E(1) of the Privacy Act and includes:

- Identity particulars as permitted by the Privacy Commissioner's determination issued under Section 18E(3) of the Privacy Act;
- The fact that I/we have applied for credit and the amount;
- The fact that Arafura Pearls Holdings Ltd is a credit provider to me/us;
- Payments which become overdue more than 60 days;
- Advice that payments are no longer overdue;
- Cheques drawn by me/us for at least \$100 which Arafura Pearls Holdings Ltd has dishonoured more than once;
- In specified circumstances, that in the opinion of Arafura Pearls Holdings Ltd, I/we have committed a serious credit infringement; and
- That the credit provided to me/us by Arafura Pearls Holdings Ltd has been discharged.

To enable Arafura Pearls Holdings Ltd or its agents to access my/our application for personal or commercial credit, I/we authorise Arafura Pearls Holdings Ltd or its agents:

- To obtain from a credit reporting agency a credit report containing personal credit information about me/us in relation to personal credit provided by Arafura Pearls Holdings Ltd;
- To obtain from a credit reporting agency a credit report containing personal credit information about me/us in relation to commercial credit provided by Arafura Pearls Holdings Ltd. This is in accordance with Section 18K(1)(b) of the Privacy Act;
- To obtain a report containing information about my/our commercial activities or commercial credit worthiness from a business which provides information about the commercial creditworthiness of a person in relation to personal credit provided by Arafura Pearls Holdings Ltd.

This is in accordance with Section 18L(4) of the Privacy Act:

- To obtain a report from a credit reporting agency and other information in relation to my/our commercial credit activities.

Signature of 1st Applicant / Director

Signature of 2nd Applicant / Director

Arafura Pearls Holdings Ltd

Privacy Consent

I/We declare that the credit to be provided to me/us by Arafura Pearls Holdings Ltd is to be applied wholly or predominantly for business or investment purposes. IMPORTANT: You should not sign this declaration unless the credit is wholly or predominantly for business or investment purposes. By signing this declaration you may LOSE YOUR PROTECTION under the Consumer Credit Code.

Signature of 1st Applicant / Director

Signature of 2nd Applicant / Director

Arafura Pearls Holdings Ltd

Direct Debit Request — Terms Payment Facility Agreement

Request and Authorise to Debit

Surname or Company Name _____

Given Names or ACN/ARBN _____

I/we authorise Arafura Pearls Holdings Ltd to arrange for funds to be debited from my/our account at the financial institution identified below and as prescribed below through the Bulk Electronic Clearing System (BECS). The amounts and frequency of the drawings to be subject to and remain in force in accordance with this Direct Debit Service Agreement.

Details of Account to be Debited

Financial Institution Name _____

Financial Institution Address _____

Suburb _____ State _____ Postcode _____

Name of Account _____

BSB No _____ Account No _____

Please complete the following boxes. If left blank, Arafura Pearls Holdings Ltd will complete on your behalf in accordance with your existing Terms Agreement:

Amount/s to be Debited is stated in the Growers Schedule of Terms Payments being:

Monthly Amount \$ _____ Total of all Payments \$ _____

Frequency: The last day of every month — starting on the day stated in the Schedule of Terms Payments provided to you.

Insert Your Signature and Details

By signing below I/we hereby certify that I/we are the authorised signatories to the account named above and have the authority to enter into this Facility and Direct Debit Service Agreement as provided. I/we acknowledge that we have read and understand the terms and conditions of this Facility and Direct Debit Service Agreement.

Signature of 1st Applicant / Director / Individual

Signature of 2nd Applicant / Director

Address _____

Suburb _____ State _____

Postcode _____

Date ____/____/____

Arafura Pearls Holdings Ltd

Definitions

- Account means the account held at your financial institution from which we are authorised to arrange for funds to be debited.
- Agreement means this Direct Debit Service Agreement between you and us.
- Business day means a day other than a Saturday or a Sunday or a public holiday listed in the State of Western Australia.
- Debit day means the day the payment by you to us is due.
- Debit payment means a particular transaction where a debit is made.
- Direct Debit Request means the Direct Debit Request between us and you.
- Us or we means Arafura Pearls Holdings Ltd who you have authorised by signing a direct debit request.
- You means the client who signed the direct debit request.
- Your financial institution is the financial institution where you hold the account that you authorised us to arrange to debit.

1. Debiting Your Account

- 1.1 This service agreement covers drawings by Arafura Pearls Holdings Ltd against clients' nominated account in all events covered by any written agreement between us and you.
- 1.2 By signing a direct debit request, you have authorised us to arrange for funds to be debited from your account. If the debit day falls on a day that is not a business day, we may debit your account on the prior business day.

2. Changes By Us

- 2.1 We may vary any details of this agreement or a direct debit request at any time by giving you at least fourteen (14) days written notice.

3. Changes By You

- 3.1 Subject to 3.2 and 3.3, you may change the arrangements under a direct debit request by contacting us on (08) 9382 4818.
- 3.2 If you wish to stop or defer a debit payment you must notify us in writing at least five (5) business days before the next debit day. This notice should be given to us in the first instance.
- 3.3 You may also cancel your authority for us to debit your account at any time by giving us at least thirty (30) days notice in writing before the next debit day, provided alternative arrangements are made for any amounts owing to us. This notice should be given to us in the first instance.

4. Your Obligations

- 4.1 It is your responsibility to ensure that there are sufficient cleared funds available in your account to allow a debit payment to be made in accordance with the direct debit request.
- 4.2 If there are insufficient cleared funds in your account to meet a debit payment:
 - (a) you may be charged a fee and/or interest by your financial institution;
 - (b) you may also incur fees or charges imposed or incurred by us;
 - (c) you may be liable for interest on arrears payments. The interest rate for arrears payments is 12.00% per annum, calculated daily until the arrears amount is rectified. If your loan remains in arrears for a period of greater than 90 days, your interest in the Arafura Pearls Holdings Project 2009 ARSN 136 002 938 shall be held by Arafura Pearls Holdings Ltd, in trust, pending recovery of the full amount of the outstanding balance.
 - (d) you must arrange for the debit payment to be made by another method or arrange for sufficient cleared funds to be in your account by an agreed time so that we can process the debit payment;
 - (e) you should check your account statement to verify that the amounts debited from your account are correct.

5. Dispute

- 5.1 If you believe that there has been an error in debiting your account, you should notify us directly on (08) 9382 4818 or in writing as soon as possible so that we can resolve your query quickly.
- 5.2 If we conclude as a result of our investigations that your account has been incorrectly debited we will respond to your query by arranging a credit into your account to adjust your account accordingly. We will also notify you in writing of the amount by which your account has been adjusted.

- 5.3 If we conclude as a result of our investigations that your account has not been incorrectly debited we will respond to your query by providing you with reasons and evidence for this finding.
- 5.4 Should the error be caused by your financial institution this matter will need to be directly resolved between you and your financial institution.

6. Accounts

You should check:

- (a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions; and
- (b) your account details which you have provided to us are correct by checking them against a recent account statement.

7. Confidentiality

- 7.1 We will keep information (including your account details) in your direct debit request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.
- 7.2 We will only disclose information that we have about you:
 - (a) to the extent specifically required by law; or
 - (b) for the purpose of this agreement (including disclosing information in connection with any query or claim).

8. Notices

- 8.1 If you wish to notify us in writing about anything relating to this agreement, you should write to Arafura Pearls Holdings Ltd, PO Box 1099, Subiaco, WA 6904.
- 8.2 We will notify you by sending a notice in the ordinary post to the address on our records.
- 8.3 Any notice will be deemed to have been received two (2) business days after it is posted.



Suite 25, Level 3, 22 Railway Road
Subiaco Western Australia 6008