

Sapphire hunter heads \$30m quest to be gem baron

Company: Australian Gemstone House Ltd
Proposed ASX code: AGN
Proposed listing date: August 14
Capital to be raised: \$30 million
Market capitalisation: \$142 million
Issue price: \$1
Recommendation: None

AUSTRALIAN Gemstone House is seeking to raise \$30 million to fund its ambitions of becoming the only large-scale gem producer in Australia.

Mining gemstones such as opals and sapphires has a long history in Australia, but the local industry has to date been characterised by small operators that typically sell into Asia, where value-adding processes such as cutting, polishing and marketing take place.

Wise-owl.com analyst Tim Morris says that by establishing a large-scale integrated mining and processing operation, Australian Gemstone House aims to capture this downstream value that has previously been lost overseas. The company's tenure is located in northern NSW, including an opal exploration project near Lightning Ridge and a more advanced sapphire project in the New England region.

The sapphire project hosts the Kew Valley sapphire deposit that contains an indicated resource of 19 million carats and is ready for production.

The mine's full production capacity is estimated at about 90,000 carats per month of "gem-grade rough sapphire", ranging in size from +2.2mm to -25mm.

According to Morris: "The prospect of near-term production is good news. However, the company has not provided any indication of the size of

possible revenues or pricing patterns in the gemstone market.

"With an implied market cap of \$142 million upon listing, significant near-term cash flows would be required to avoid pressure on the stock price," he says.

Morris also stresses that the company could find it hard to win over local investors due to the gemstone industry's relatively low profile.

"Being an unfamiliar sector, educating the market and transparency will be crucial, as investor sentiment in general is currently very fragile."

Australian Gemstone House appears to have the technical expertise needed to fully exploit its exploration tenure, with the discoverer of the Kew Valley sapphire deposit, Dr Simon Pecover, adopting the role of CEO.

The company will be chaired by Pnina Feldman, who founded Diamond Rose NL and currently chairs Australian Gold Investments Ltd.

