

NEWSLETTER TO SHAREHOLDERS – SEPTEMBER 2010

Since my last newsletter to shareholders in April this year, quite a lot has been happening with Opal Horizon Limited (“OHZ”) even though I have been out of action for a lot of that time; firstly with overseas holidays in May and then with personal health issues in July and August.

I did manage to squeeze in a trip to Santa Monica and Toronto in early July to talk with investors, stockbrokers and the Toronto Stock Exchange (“TSX”).

As I alluded to in my last newsletter, OHZ is now intending to list a parent company on TSX. This company will be based in the biggest overseas market for precious opal – North America – and will take responsibility for international marketing and sales. OHZ will become a subsidiary of that company and will be responsible for production.

Through Australian and Canadian stockbrokers, we are currently looking at a possible back door listing for the parent company. The Canadians have indicated that there are several suitable “shell” companies available and that they can raise the necessary cash for us. At this stage we are looking to raise up to \$10M. We are also looking at the possibility of an IPO on TSX if a back door listing is deemed too difficult.

Subject to shareholder approval, existing OHZ shareholdings are expected to be transferred to the new company once it is set up.

We have called for expressions of interest for a CEO of the new company and have had interest from suitable candidates in the USA and Canada. Mainly for health reasons, I have decided not to become CEO of the new company and will instead focus on Australian production of precious opal as an executive director.

Earlier this year, we appointed Tarquin de la Force as Marketing Manager of OHZ. Tarquin has had a wide and varied career in marketing including 16 years with de Beers. His input, together with that of Suzanne Rouden-Schmidlin, our marketing consultant in Switzerland, has transformed OHZ from an Australian resources company to that of an international marketing company with a resources base.

One of our key achievements of the last few months has been to develop what we intend will become the international standard for the classification, grading and valuation of opals. To achieve this major and long overdue goal, we have engaged some of the top opal gemmologists in Australia. This new grading system will be synthesised into a trade and consumer friendly format to be called the “Three C’s of Natural Precious

Opal” and is similar in its intent and presentation to the four C’s of diamonds.

Our market research in March showed that the lack of a classification scheme was the single biggest impediment to international market penetration for opals.

Once this scheme is finalised in the next few weeks, we will begin promoting it internationally starting with a major campaign directed at the international jewellery trade press and magazines.

Within Australia, OHZ is in the process of forming a number of alliances with small opal miners, wholesalers and retailers so that in the short and medium term, we can provide a large volume of opal for the international market.

We are currently in discussions with a number of the world’s leading carriage trade jewellery companies with the view to create saleable and outstanding opal jewellery pieces. These will be marketed in a series of unique new cooperative deals with these companies that will see the use and promotion of top quality opals available only through OHZ.

We are also talking to some of the top jewellery designers in the world to get them involved in our promotional efforts. The response to date has been extremely positive and several are likely to become involved.

As you can see, we have come a long way from our original aim of simply being a resources company. As a board, we recognised that while it’s all very well to simply supply a product to the world, unless that product is promoted properly, we cannot achieve maximum profits for our efforts.

For those that are wondering why we still bother with exploration and mining, because quite frankly we can make a good business out of buying and selling opals, exploration and mining equals growth. Without undertaking its own exploration and mining activities, as a company OHZ could only grow so large and no bigger.

Please contact me if you have any queries or concerns.

David Horton
Managing Director
23 September 2010