

3 April 2012

Goldplat

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/10	10.7	2.2	1.58	0.00	9.0	N/A
06/11	19.6	3.1	1.63	0.00	8.7	N/A
06/12e	26.2	5.1	2.13	0.00	6.6	N/A
06/13e	36.5	13.8	6.58	0.00	2.2	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: H1 results and revaluation

Goldplat continues its golden run from FY11 with further success in H112. Increased efficiencies at its South African and Ghanaian gold recovery operations has led to an interim production increase of c 11% to 15,404 ounces (oz) compared to the same period last year. Coupled with a favourable gold price environment this has seen the company increase its profit before tax 74% to £2.37m and carry a net cash position of £4.6m. Goldplat has also achieved its first gold pour at its Kilimapesa gold mine in Kenya and is looking to produce at a rate of 10,000oz Au per annum by year's end. We envisage greater value accretion with further development of the portfolio of mines in Kenya, Ghana and Burkina Faso into JORC compliant resources with drill programmes operating at all three mines with the explicit aim to have delineated 1m oz of gold by the end of the calendar year. Management notes its intention not to seek additional equity capital to advance any of these existing operations.

Valuation: Upgrade on nine-year forecast – 37.3p/share

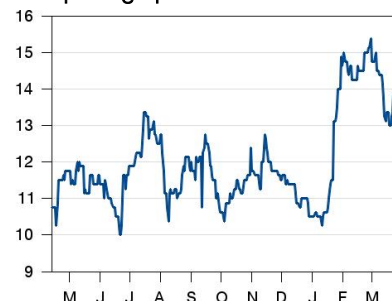
Given Goldplat's ability to source new contracts and procure materials to replenish its stockpiles for its recovery operations in South Africa and Ghana, coupled with the now producing Kilimapesa mine in Kenya, we have revised our valuation. It is possible that Goldplat's recovery operations could continue in perpetuity for as long as gold is mined in South Africa or Ghana. As our base case, we have modelled forecasted production rates from the recovery operations and Kilimapesa mine for nine years (FY13-FY21). Using a gold price of US\$1,600/oz for FY12 and FY13 and US\$1,350/oz thereafter yields 36.5p/share using a dividend discount model. The sum of the parts valuation equates to 37.3p/share when the attributable value of the JORC resource at the Nyieme licence in Burkina Faso (0.77p/share) is calculated.

5.3-10p/share upside in potential JORC resources

There is potential for further uplift in valuation that would result from Goldplat achieving its exploration targets. We calculate that the delineation of an additional 366,497oz of gold resource at Kilimapesa would crystallise between US\$8.2m and US\$21.0m (3.0-7.8p/share) on an attributable basis, while delineation of a resource at Anumso of 300,000oz would add a further US\$6m or 2.25p/share.

Price 14.25p
Market Cap £24m

Share price graph



Share details

Code GDP
Listing AIM
Sector Mining
Shares in issue 167.87m

Price

52 week High 15.3p Low 10.0p

Balance Sheet as at 31 December 2011

Net Debt/Equity (%) N/A
NAV per share (p) 13.4
Net cash (£m) 4.4

Business

Goldplat is leveraging its position as a small, profitable gold producer from its gold recovery operations in Ghana and South Africa to become a mid-tier producer, by acquiring conventional mining assets in Kenya and Burkina Faso.

Valuation

	2011	2012e	2013e
P/E relative	82%	58%	21%
P/CF	27.7	2.6	1.7
EV/Sales	1.0	0.5	0.1
ROE	11%	15%	31%

Revenues by geography

	UK	Europe	US	Other
0%	0%	0%	100%	

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Investment summary: Interim results

Performance features of Goldplat's operations for the six months ended 31 December 2011 are as follows:

Recovery operations

South African recovery operations (Goldplat Recovery Ltd – GRL): Recovery operations performed well with gold production for the six months ended 31 December 2011 totalling 7,040oz (2010: 9,712oz). The first six months have seen Goldplat concentrate on commissioning a high-grade mill to increase the milling capacity to produce a 75µm (micron) output that in turn will increase the gold production capabilities. Goldplat is in the process of installing a fluidised bed incinerator to increase its ability to bid for fine carbon contracts from other mining companies and it will also assist in reducing current stockpiles of gold-bearing material. Goldplat has reported in the interim period that it has signed an agreement with a wholly owned subsidiary of Central Rand Gold Ltd to recommence gold mining at the Crown Reef and CMR Bird Reef mines in the Central Rand area in South Africa. Subject to due diligence, Goldplat intends to reclaim the high-grade pillars at these mines in return for a 5% net smelter royalty. The ore is intended to be processed at the South African recovery operations, which would provide simple logistics. Very little capital expenditure would be needed to reach production and would result in a cost per ounce in the lower-quartile range. The project would be funded from the £4.6m in current cash reserves

Ghanaian recovery operations (Gold Recovery Ghana Ltd – GRG): A marked increase in by-products received for processing has seen GRG gold production for the six months rise 51% to 8,364oz (H110: 4,045oz) compared to the corresponding period last year. This period marks the first time that the profitability of Ghanaian recovery operations have exceeded those earned in South Africa. In addition, the toll processing agreements with Golden Star and Adamus Resources were performing well and have been a significant factor in the increase in gold production for H112. The company also continues advanced negotiations regarding the possibility of collecting gold bearing by-products from gold mining operations in Burkina Faso and Mali for export to GRG in Ghana. In order to increase the processing capacity, an additional furnace is to be installed at the plant and should be operational by Q212. Beyond the operational points noted above, GRG will continue to enjoy the benefits of tax free status until 2016 and will be liable for only 10% tax after that date.

Mining operations

Kilimapesa Mine (Kenya): In January of this year, Goldplat poured its first gold from the Kilimapesa mine in Kenya. This gold pour marks a significant milestone as a mining company, as it represents the culmination of many years of effort to not only develop a profitable mining operation but also become the country's first gold project to have received a mining licence in 48 years. As justified below, we anticipate the production of some 3,766oz Au from Kilimapesa in FY12 and 10,000oz Au within the calendar year. Concurrently, Goldplat has a drilling programme underway with multiple targets identified in the vicinity of the Kilimapesa mine. These include Kilimapesa Hill with a five hole drill programme with 890m completed to date, while the Vim/Rutha and Red Ray drill programmes have been completed with 1,571m completed and assay results due in April or May

2012. Goldplat intends to provide a further resource statement by June 2012 with the intention to increase the JORC compliant resource at Kilimapesa to 500,000oz Au (from 129,000oz Au currently) and allowing Goldplat to safely mine and produce 10,000oz per annum. Goldplat has been able to minimise the capital expenditure at Kilimapesa so far through the fact that it is following historical workings extending the 250m underground strike exposure of the auriferous quartz veins.

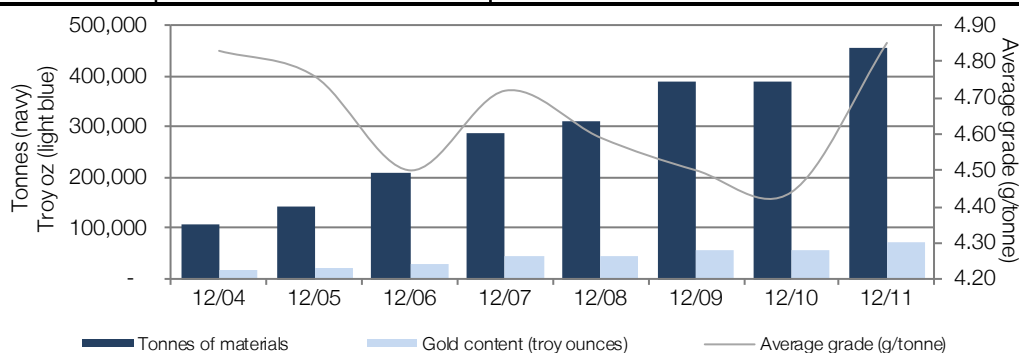
Exploration

Anumso (formerly Banka) (Ghana): Without providing a specific timeline to completion Goldplat management has indicated the Anumso Gold Exploration licence is the most likely prospect to reach a bankable feasibility study (BFS) and therefore most likely to provide the next mine for Goldplat due to the reasonably shallow depth of the current non-JORC resource suggesting the licence holds the potential for early production. The prospect currently hosts a non-JORC code compliant resource of 262,107oz of gold to a depth of 100m, which the exploration programme suggests has significant potential to upgrade and increase to a JORC compliant status with infill drilling and increased depth of drilling to 250m. A diamond drilling programme commenced in November 2011, aiming to convert and raise the existing gold resource to a JORC compliant status of +300,000oz.

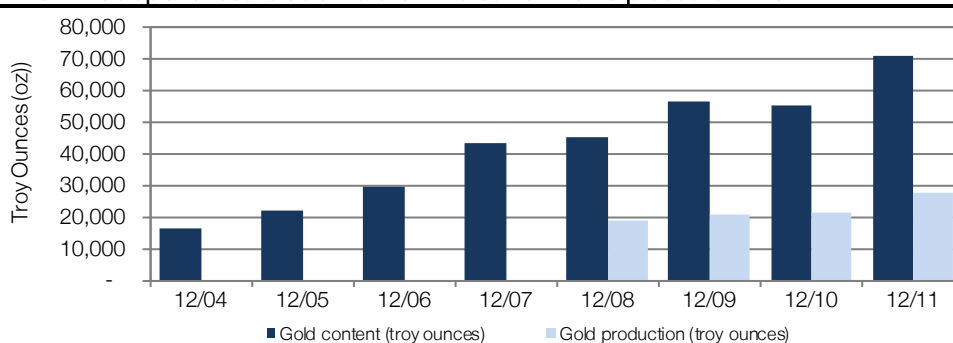
Nyieme (Burkina Faso): The 3,100m RC drilling programme that was completed at the Nyieme Licence in July 2011 has defined a JORC compliant resource of 92,589oz Au (1.395Mt at 2.06g/t). The drilling programme identified four new mineralised zones within the A1 zone, which Goldplat is now targeting for further drill testing along with artisanal workings located south of the A1 zone approximately 3km away. Intersections to date include 17.83g/t Au over 1m and 11.67g/t Au over 5m. Goldplat intends to continue drilling to further define the resource, while engaging with other licence holders in the vicinity for JV or consolidation opportunities to increase its mining footprint in Burkina Faso.

Recovery operations stockpiles

The justification for projecting gold recovery operations to nine years stems from Goldplat's ability to continually replenish its recoverable material stockpiles at its South African and Ghanaian operations. A review of Goldplat Recovery Pty Ltd (the South African recovery operations) and Goldplat Recovery Ghana Ltd (the Ghanaian recovery operations) raw material stock sheets for the period 31 December 2004 through to 31 January 2012 indicates that Goldplat has held one to four years of raw material stockpiles in all of those years on an increasing trend, as depicted in Exhibit 1 below. Exhibit 2 clearly shows that Goldplat has had at least two years of annual production stockpiled for the period FY08-FY11. This data provides positive assurance of Goldplat's ability to replenish stockpiles of gold bearing material, and reinforces our view on projecting forecast performance to nine years.

Exhibit 1: Goldplat's recoverable material stockpiles FY04-11

Source: Edison Investment Research

Exhibit 2: Goldplat's recoverable material – Au content vs Au production FY04-11

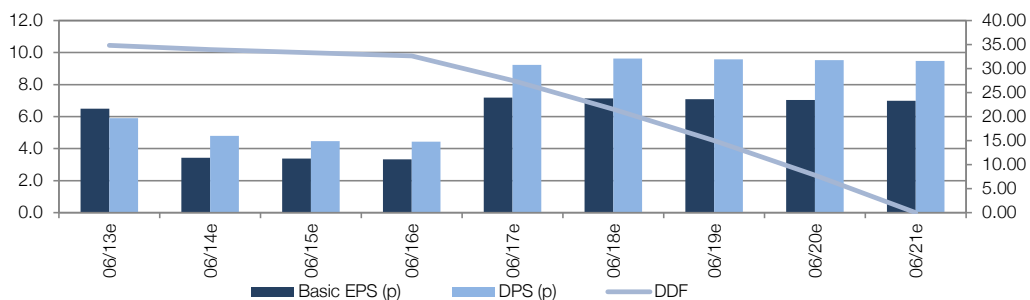
Source: Edison Investment Research

Valuation

As our base case we value Goldplat on a sum of the parts basis equating to 37.3p/share.

We have previously valued Goldplat using a long-term gold price of US\$1,350/oz and assumed non-replenishment of stockpiles. Given Goldplat's ability to source new contracts and procure new materials from mining companies for its recovery operations in South Africa and Ghana, and the fact that it currently holds stockpile reserves at its South African operations that would see it continue to operate for at least six to seven years, we believe our valuation assumptions should be adjusted. In addition the Kilimapesa mine has now reached production stage with an estimated 10,000oz per annum to be produced from the mine on an ongoing basis. The base case for Kilimapesa gold production is 10,000 oz per annum over nine years at a cash cost of \$730/oz with gold prices reverting from US\$1,600/oz to US\$1,350/oz in FY14.

On the above assumptions we revise our valuation of Goldplat's recovery businesses and Kilimapesa mine to 36.5p/share on the value of the theoretical stream of potential dividends to shareholders for the period FY13-21 (discounted at 10% per annum to reflect general equity risk) as depicted in Exhibit 3.

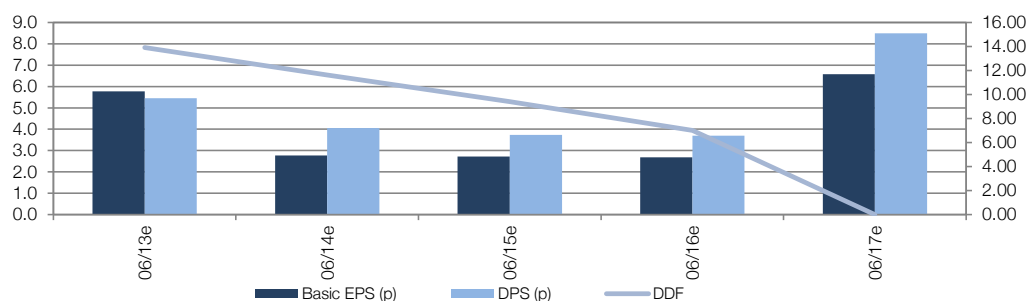
Exhibit 3: Goldplat's Basic EPS and maximum DPS forecasts FY13-21

Source: Edison Investment Research

We also value the current JORC compliant resource at the Nyieme license at £1.3m or 0.77p/share on an attributable basis, which gives a total of 37.3p/share

Five-year operational basis

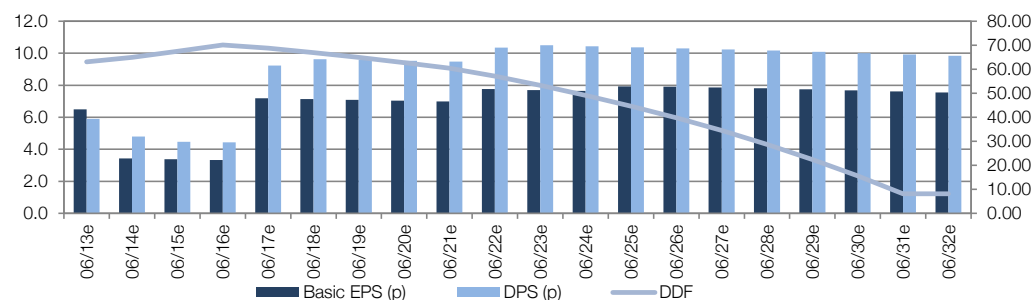
Should Goldplat not replenish its recoverable material stockpiles at South Africa or Ghana and have only a further five years of recovery operations (using the current rate of production) while at the same time only producing 5,000oz per annum at Kilimapesa for a similar five-year period (using the same cash cost assumptions and gold prices) we provide a low-case scenario for comparison. On a sum of the parts basis using the above assumptions we calculate a dividend discount value of 17.15p/share as depicted in Exhibit 4. It should be noted that even on this low-case scenario valuation of 17.92p/share (17.5p DDF and 0.77p JORC resource), Goldplat is currently trading at a 21% discount.

Exhibit 4: Goldplat's basic EPS and maximum DPS forecasts FY13-17

Source: Edison Investment Research

Perpetual basis

While historically Goldplat has never held reserve stockpiles for recovery operations of greater than two to three years, the fact that Goldplat is able to source new contracts on a consistent basis and continually replenish stockpiles leads us to project operations on a nine-year basis. In the scenario where the company continues to replenish stockpiles on a perpetual basis, and is able to maintain near full capacity production at its South African and Ghanaian recovery plants indefinitely and where the Kilimapesa mine continues further resource delineation and gold production at 10,000oz per annum, we calculate that it would be capable of making a c 10p per share dividend payout to shareholders from FY17 until FY32 suggesting a share price of c 62p in current money terms, as detailed in Exhibit 5.

Exhibit 5: Goldplat's Basic EPS and maximum DPS forecasts FY13-32

Source: Edison Investment Research

Exploration upside

We see further valuation upside in Goldplat's principal exploration portfolio, detailed below:

- To increase the JORC code-compliant resource at Kilimapesa from 134,000oz to 500,000oz.
- To announce an initial, maiden JORC code-compliant resource of >300,000oz at its Anumso project in Ghana (vs a non-JORC code-compliant resource of 262,107oz currently [235,896oz or 90% attributable to Goldplat]).
- To drill test further four previously unidentified mineralised zones at the Nyieme licence in Burkina Faso and increase the JORC resource to >100,000oz

With regards to the Kilimapesa mine, if Goldplat is able to delineate a JORC resource of 500,000oz of gold, pro-rata across the same categories, this results in an additional 366,497oz of gold.

Applying average values of US\$22.39, US\$129.32 and US\$365.72 for 'inferred', 'indicated' and 'measured' ounces listed in London and using a pro-rata percentage across the same categories, suggests a valuation of the additional 366,497oz of US\$21.0m, or US\$57.32 per total ounce, or 12.5 US cents (7.8p) per share. Alternatively, assuming that all of the additional ounces are confined to the 'inferred' category suggests a valuation of the additional ounces of US\$8.2m, or 4.9 US cents (3.1p) per share.

Anumso's resource is currently estimated at 262,107oz (235,896oz attributable to Goldplat), of which 19.7% were in the 'indicated' category and the remaining 80.3% were in the 'inferred' category, albeit none were JORC code compliant.

Assuming that Goldplat is able to delineate a JORC code-compliant resource of 300,000oz of gold in the 'inferred' category suggests a valuation of the resource of US\$6.7m, of which US\$6m, or 3.6 US cents (2.25p) per share, would be attributable to Goldplat.

The JORC compliant resource that was delineated at the Nyieme Licence in July 2011 was 92,589oz Au in the 'inferred' category. This suggests a valuation of \$2.06m, or 1.23 US cents (0.77p) per share. Further drill testing of the four newly identified mineralised zones should see further expansion of the 'inferred' resource. As yet no infill drilling has been planned and consequently no upgrade is expected from the 'inferred' to 'indicated' or 'measured' categories.

Financials

We draw attention to actuals versus forecasts for FY12 below, and highlight the fact that we expect continued positive operations for the second six months of Goldplat's 2012 financial year. Now that the high-grade mill has been commissioned in South Africa we can expect increased milling capacity and more efficient gold production. Ghana recovery operations produced 8,364 ounces for the first six months ended 31 December 2011 and we can expect further strong results from this operation through increased by-product revenues and processing capacity. Kilimapesa mine is now operational and producing gold. Management has indicated that it expects quick ramp-up to annual production of 10,000oz per annum and this should add a further solid base to Goldplat's expected FY12 gold production of >30,000oz. Favourable currency translation has benefited Goldplat's first half with weakening of the South African rand and Ghanaian new cedi against the US dollar, partially offset with weakening of British pounds sterling against the US dollar. All of the above coupled with a favourable gold price indicate that it should be a solid second half for Goldplat. On that basis we expect a significant uplift in revenues for the second half while keeping cost of sales down through improved efficiencies. Consequently we expect a significant increase in earnings for H212.

A comparison of H112 actual figures with our H212 estimates is given in Exhibit 6.

Exhibit 6: H112 Actuals vs H212 estimated financials (£'000s, except where indicated)

	H112a	H212e	Forecast Variance (%)
Revenue	11,183	15,017	34%
Cost of sales	-8,403	-11,000	31%
Gross Profit	2,624	3,653	39%
Profit after tax	1,930	2,224	15%
Earnings	1,127	2,446	117%
Average no. shares in issue (m)	167.12	167.87	
Basic EPS (pence)	0.67	1.46	116%

Source: Goldplat & Edison Investment Research

As of 31 December 2011, Goldplat had £4.6m in cash on the balance sheet, allowing the company to continue with exploratory drilling and resource delineation at its development portfolio in Kenya, Ghana and Burkina Faso. With Kilimapesa now producing we can expect this cash position to further improve. It is worth noting that Ghana recovery operations continue to attract a tax holiday until FY16 and management has stated its intention not to seek additional equity capital to advance any of these existing operations.

Exhibit 7: Financials

	£'000s	2010	2011	2012e	2013e	2014e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		10,663	19,620	26,200	36,518	26,635
Cost of Sales		(6,914)	(14,952)	(19,403)	(20,840)	(16,412)
Gross Profit		3,749	4,668	6,797	15,678	10,223
EBITDA		2,529	3,443	5,555	14,373	8,854
Operating Profit (before GW and except.)		2,296	3,156	5,035	13,666	8,037
Intangible Amortisation		0	0	0	0	0
Share based payments & other		(237)	323	0	0	0
Other		0	0	0	0	0
Operating Profit		2,059	3,479	5,035	13,666	8,037
Net Interest		(116)	(51)	58	164	366
Profit Before Tax (norm)		2,180	3,105	5,093	13,830	8,403
Profit Before Tax (FRS 3)		1,943	3,428	5,093	13,830	8,403
Tax		(713)	(472)	(939)	(983)	(945)
Profit After Tax (norm)		1,963	2,505	4,154	12,848	7,458
Profit After Tax (FRS 3)		1,230	2,956	4,154	12,848	7,458
Average Number of Shares Outstanding (m)		111.8	139.4	167.9	167.9	167.9
EPS - normalised (p)		1.58	1.63	2.13	6.58	3.62
EPS - FRS 3 (p)		0.93	1.96	2.13	6.58	3.62
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		35.2	23.8	25.9	42.9	38.4
EBITDA Margin (%)		23.7	17.5	21.2	39.4	33.2
Operating Margin (before GW and except.) (%)		21.5	16.1	19.2	37.4	30.2
BALANCE SHEET						
Fixed Assets		11,276	13,954	15,762	16,930	17,214
Intangible Assets		7,297	9,668	9,668	9,668	9,668
Tangible Assets		3,589	3,903	5,711	6,879	7,163
Investments		390	383	383	383	383
Current Assets		6,709	13,078	15,921	27,970	34,068
Stocks		3,825	3,367	3,190	3,426	2,698
Debtors		1,866	6,584	4,307	6,003	4,378
Cash		1,018	3,127	8,425	18,541	26,992
Current Liabilities		(3,844)	(4,794)	(5,291)	(5,660)	(4,584)
Creditors		(3,737)	(4,520)	(5,134)	(5,503)	(4,427)
Short term borrowings		(107)	(274)	(157)	(157)	(157)
Long Term Liabilities		(724)	(739)	(739)	(739)	(739)
Long term borrowings		(100)	(62)	(62)	(62)	(62)
Other long term liabilities		(624)	(677)	(677)	(677)	(677)
Net Assets		13,417	21,499	25,653	38,501	45,959
CASH FLOW						
Operating Cash Flow		1,431	777	8,623	12,811	10,131
Net Interest		(104)	(37)	58	164	366
Tax		(617)	(724)	(939)	(983)	(945)
Capex		(1,622)	(2,071)	(2,327)	(1,876)	(1,102)
Acquisitions/disposals		(73)	(1,124)	0	0	0
Financing		131	5,206	0	0	0
Dividends		0	0	0	0	0
Net Cash Flow		(854)	2,027	5,415	10,116	8,451
Opening net debt/(cash)		(1,551)	(811)	(2,791)	(8,206)	(18,322)
HP finance leases initiated		0	0	0	0	0
Other		114	(47)	0	0	(0)
Closing net debt/(cash)		(811)	(2,791)	(8,206)	(18,322)	(26,773)

Source: Company accounts, Edison Investment Research

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