Initiation Report | Marketing Communication (Connected Research)

Goldplat#

BBG Ticker: GDP LN *Price: 3.38p* *Mkt Cap: £5.7m* **BUY**

Year to June	Revenue (£000)	EBITDA (£000)	PBT (£000)	EPS (p)	DPS (p)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)	Div Yield (%)
2014A	21,020	574	(248)	(3.13)	n/a	0.4x	16.3x	neg	n/a
2015A	16,628	(132)	(796)	(6.83)	n/a	0.3x	neg	neg	n/a
2016F	21,368	1,321	706	1.31	n/a	0.3x	4.7x	9.9x	n/a
2017F	20,036	1,370	588	0.99	n/a	0.3x	4.5x	13.0x	n/a

***SOURCE**: Company, VSA Capital Research.*

A Gold Recovery Story

Valuation Does Not Reflect FCF Potential

Having stabilised operations following the **Rand Refinery** issues earlier this year and combined with cost cutting programme we expect **Goldplat** (**GDP LN)#** to generate positive EBITDA in FY 2016, after the £132k loss in FY 2015. We expect enhanced efficiency and cost cutting to drive sustainable margin recovery with a return to free cash flow generation from FY 2016F.

Prior to FY 2014, GDP generated strong free cash flow (FCF), notably £2m in FY 2013, and we believe that the programme of capital projects and other cost cutting measures will support a sustained recovery. Despite our expectations of only modest increases in the gold price in the short to medium term we expect FCF of £200k in FY 2016F rising to c£800k in FY 2018F. This implies FCF yields of 23% FY 2016F rising to 51% and 98% in FY 2017F and 2018F respectively and we therefore believe that based on GDP's current valuation there is significant upside potential.

Enhanced Operational Model

GDP is currently expanding its elution throughput capacity currently with 4t of additional installed capacity due to come online in the next six months. The increased vertical integration will decrease reliance on external refiners; reducing the risk of a repeat of the recent disruption. Furthermore, the construction of a local cyanide storage facility will also benefit costs. A dedicated team has also been appointed to source new by-product material which will increase the security of supply of raw materials and bring greater scrutiny to contract negotiations.

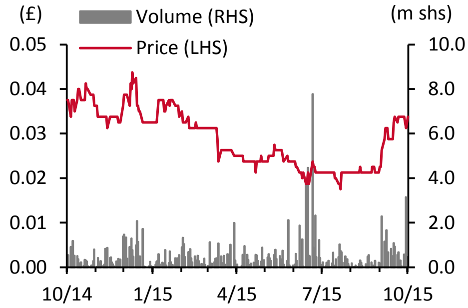
Recommendation and Target Price

With an operational recovery now well underway, we believe that GDP is well positioned to return to positive FCF in the near term which will, in our view, drive a rerating of the stock. **Our blended valuation approach produces a 12-month Target Price of 6.1p/sh, this implies 81% upside potential and we are therefore initiating coverage with a BUY recommendation.**

Company Description

Goldplat plc is a gold recovery services company with operations in South Africa and Ghana. It also has a small gold exploration & mining portfolio.

One Year Price Performance



Price % chg	1mn	3mn	12mn
	50%	59%	-10%

***SOURCE**: FactSet, as of 2 October 2015 close.*

Market:	LSE AIM
Target price:	6.1p
Shares in issue	167m
Free float:	90%
Net cash (Jun 2015):	470k
Enterprise value:	£5.23m
Major shareholders	
Chase Nominees Ltd (FIL)	10.06%
Fitel Nominees Ltd	7.97%
Barclayshare Nominees Ltd	6.82%

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Investment Case

Goldplat's (GDP) gold recovery business is undergoing a major operational turnaround which we expect this to translate into an earnings recovery in FY 2016. While alternatives to the **Rand Refinery** have solved short term issues, we believe that the capital projects funded from free cash flow which will reduce costs and increase capacity are the key to the sustainability of the turnaround. Furthermore, the enhanced transparency from improved reporting metrics, including a detailed breakdown of gold production, should strengthen investor sentiment and unlock value.

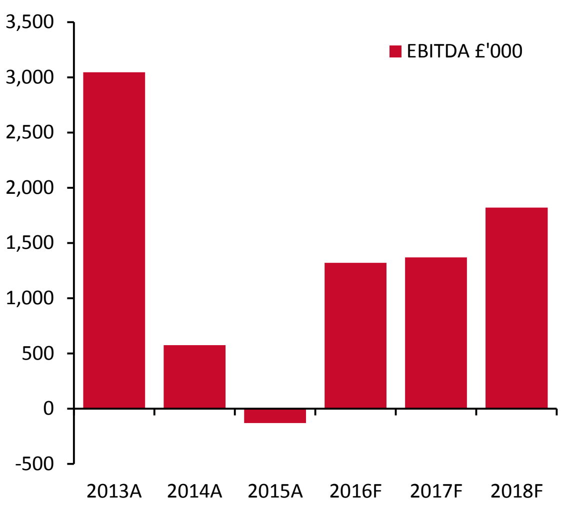
Market Leader in African Gold Recovery Services

GDP's business model is centred around processing by-product materials from mining firms. These materials must, by law, be disposed of in a manner which has a low environmental impact although often still have gold or precious metal content. It is often uneconomic for miners to construct the process routes necessary to recover this remaining gold content on a small scale. However, by sourcing material from various sources, GDP is able to benefit from the economies of scale required to make recovery economic. GDP is the leader in recovery of this kind in Africa and we believe that the economies of scale and understanding of the technical processes make this market leading position secure over the short and medium term.

Return to Positive FCF in FY 2016

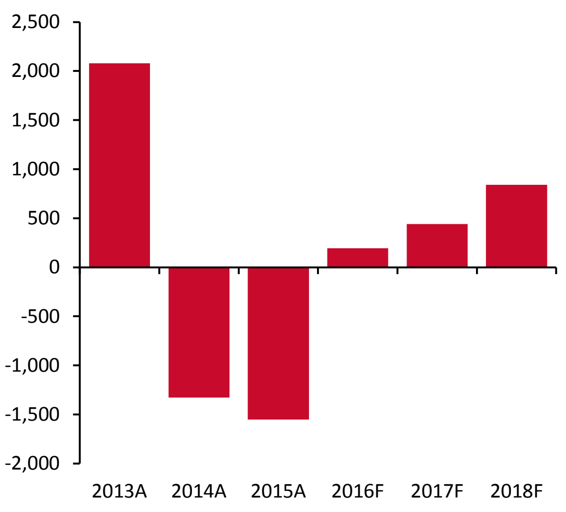
Rand Refinery's operational difficulties which prevented the processing of GDP's concentrate products have had a major impact on GDP's operations in FY 2015 and are the key reason for the earnings weakness. However, GDP now has a contract with **Aurubis AG (NDA GR)** which, combined with the additional elution capacity, will clear the backlogged stocks by year end of calendar 2015, according to the company's guidance.

Earnings recovery from FY 2016



***SOURCE:** Company data, VSA Capital Research.*

Free Cash Flow £'000



***SOURCE:** Company data, VSA Capital Research*

There is a lag due to Aurubis' production pipeline which according to GDP takes around five months before is cash returned to GDP, however, this is now operating successfully. Given this, we believe that GDP will continue to send material to be processed by NDA even after the initial backlog is cleared. We believe that the diversification of third party refiners should give investors further confidence over the security of the supply chain reducing the risk of further disruption, and increasing our confidence in GDP's operational stability going forward.

As well as diversifying GDP's refining partners, management have also implemented strategies to obtain feedstock material through more beneficial contracts. We believe that one of the reasons for GDP's share underperformance has been the lack of supply chain visibility and a perception that there is uncertainty over the supply of by-product material. However, by appointing a team dedicated to sourcing raw materials investors can have greater confidence in the longer term security of the supply chain and its ability to source raw materials as well as increased scrutiny regarding contract negotiation.

The team's delivery of a consistent supply of raw materials on more beneficial contracts should, in our view, strengthen investor confidence. In March 2014 GDP announced that it had secured three new contracts for H1 2015 demonstrating that GDP is already making progress on diversifying and securing new sources of raw materials. H1 2015 was also the first period in which raw materials were received at the South African plant from Tanzania.

Capital Projects Improve Efficiency and Generate Cost Savings

As well as an alternative refining partner, GDP has taken a number of initiatives which we believe will reduce costs underpinning the operational turnaround and driving a recovery in EBITDA margins. The capital projects have been funded through internally generated cashflow and the total cost is expected to be around £1.5m, of which c£500k is due to be spent in FY 2016F.

The first of these is the decision to increase its internal elution capacity meaning lower reliance on third party refiners. GDP has purchased three 4tpd elution columns from **DRDGOLD (DRD SJ)** and through increased efficiency as well the capacity of the current South African elution plant has been raised from 1.5t to 6t installed capacity. The first 4t column will be commissioned in South Africa by October 2015, with a second to follow. In between, a 4t column will also be shipped to Ghana for installation in October 2016.

While the reduced reliance on third parties is certainly positive we expect upgraded and expanded processing lines to drive margin expansion via increased efficiency. Indeed, an update in September 2015 indicated that the upgrades to existing facilities necessary to accommodate the expanded plant are already having a positive impact on efficiency. The replacement of the electric boiler at the South Africa operations increased the throughput capacity to 5tpd of loaded carbon from the two existing one tonne elution columns. Additionally a new woodchip wash plant commissioned in mid-August 2015 which has resulted in an additional 770ozpa of gold production capacity.

A new mill on the low grade circuit was commissioned in September 2015 which will improve efficiency and reduce the number of unplanned maintenance stoppages. The commissioning of the upgraded low grade circuit will enable GDP to process a new significant batch of by-product material under a tolling contract from Rand Refinery through the high grade circuit with displaced material processed via the low grade circuit. GDP has also built a new pumping station at the tailings retreatment carbon-in-leach (CIL) plant and the increased efficiency has the potential to increase production by 190-380ozpa.

Additionally, a new liquid cyanide storage facility has also been commissioned which will generate additional cost savings due to its proximity to the existing operations. Previously, GDP had to import solid briquettes of cyanide since no local suppliers were able to meet GDP's requirements. However, with the construction of the storage facility complete, this is now possible and means GDP no longer incur the higher cost of acquisition of solid briquettes.

Self-financed with Strong Record of FCF Generation

Although the disruption at GDP's gold recovery operations alongside Kilimapesa's underperformance weakened the recent financial results GDP had previously demonstrated its capability to generate significant free cash flow. We believe that the ongoing turnaround in the gold recovery operations whilst operating losses at Kilimapesa are reducing meaning that there is strong potential that GDP will be able to generate positive FCF by FY 2017F.

GDP is close to completing a phase of intensive capital spending and once this programme is completed we expect the cost savings to underpin the recovery in margins resulting in positive free cash flow from FY 2017F. Capital spending on the South African operations is guided to £532k in FY 2016F which covers the projects described above as well as a new weighbridge and forklift trucks. Sustaining capital for the gold recovery operations is expected to be modest going forward and we expect capital expenditures of £300kpa in the long term.

Despite this capital intensive phase, gold recovery is significantly less capital intensive than mining and prior to the disruptions in 2013/14 GDP's FCF generation was strong. Given the anticipated sustained recovery we believe that GDP has significant potential to once again generate strong FCF with c£200k forecast for FY 2016F and £400k in FY 2017F rising to £800k in 2018F.

Goldplat Financial Highlights, £000

	2013A	2014A	2015A	2016F	2017F	2018F
Revenue	28,904	21,020	16,628	21,368	20,036	22,328
EBITDA	3,044	574	(132)	1,321	1,370	1,820
Operating Profit	2,639	153	(711)	728	610	810
Net Income	(399)	(356)	(892)	574	435	586
P/E, x	neg	neg	neg	9.9x	13.0x	9.7x
EV/EBITDA, x	5.9x	16.3x	neg	4.7x	4.5x	3.4x
EPS	0.42	(4.72)	(3.13)	(6.83)	1.31	0.99
FCF	(1,329)	(510)	(909)	(600)	(450)	(450)
Capex	2,078	(1,329)	(1,553)	194	440	841
FCF Yield, %	242%	-155%	-181%	23%	51%	98%

***SOURCE**: Company data, VSA Capital Research*

Despite the drawdown of cash due to the earnings weakness we believe that GDP's balance sheet remains healthy with a cash position of £630k. GDP ended FY 2015 with £160k in debt, with short maturities which we do not expect the company to renew. However, due to the previous strong FCF generation GDP's strong balance sheet means that GDP therefore has financial flexibility; a rare advantage within the sector currently.

Enhanced Operating Visibility

Gold Production Breakdown

Total Gold Production, koz	**FY 2014**	**FY 2015**
Ghana Recovery	13,739	6,111
Kilimapesa	1,163	2,278
South Africa Recovery	16,075	22,135
Total	**30,977**	**30,524**
Total Gold Sold, koz		
Ghana Recovery	12,623	2,578
Kilimapesa	919	2,073
South Africa Recovery	12,943	16,530
Metal Transfers to Clients	*1,731*	*3,723*
Total	**28,216**	**24,904**

***SOURCE**: Company data, VSA Capital Research*

We believe the increased transparency from improved reporting metrics has the potential to unlock further value and further strengthen investor confidence. Importantly the difference between gold produced and gold sold (5.6koz) is now highlighted. Currently this is locked up in precious metal inventory which could not be processed due to the Rand Refinery issues. With NDA now processing the concentrates to clear the backlog, GDP will be able to sell down the inventory built in FY 2015. As a result we expect production to be around 31.5koz of gold although sales are likely to reach c35koz.

There is also further clarity on GDP's metal transfers to clients since the accounting treatment for clients who prefer to receive metal in this manner causes a discrepancy between the average received gold price in the year, the value of the ounces sold based on received pricing and the revenue reported. Improved transparency should, in our view, enhance investor understanding of GDP, enabling greater confidence in guidance and forecasting and ultimately the realisation of upside potential.

Relatively Low Exposure to South African Risks

The South African mining sector faces a number of major challenges some of which are common to all mining economies. However, labour unrest and power outages have affected South Africa more acutely than other mining economies. Constant wage negotiations where unions demand wage increases greater than CPI are disproportionately raising South African operating costs while power blackouts due to insufficient supply arising from severe underinvestment threaten to halt production temporarily while power tariffs are rising sharply.

Crucially, however, GDP with around 460 employees is a far less labour intensive operator than the deep underground gold miners operating in South Africa. It also does not have union representation and is not therefore subject to the wage negotiations that have caused violent strikes and major operational disruption. Furthermore, as a processor, declining grades and mining at ever greater depths are not a direct issue for GDP unlike local miners where these issues are creating intense cost pressure. While the fact that South Africa is the largest gold producing nation in Africa indicates a significant supply of raw material for GDP over the long term.

Goldplat Well Placed for Weak Gold Price Environment

In the near term, we have a cautious outlook on the gold price, following the Fed's decision to hold interest rates unchanged in September 2015. As a result, the gold price is likely to remain range-bound ahead of the next likely lift-off decision which is due to be December. When the decision is taken to begin to raise rates, it is likely that there will be a negative reaction for gold prices, and the five year lows reached after the flash crash in July 2015 of US$1,188/oz are likely to be tested once again. Furthermore, there has been recent weakness in Chinese jewellery buying, which according to the World Gold Council was down 5% YoY in Q2 2015 to 174t while Indian jewellery consumption was 23% lower YoY at 118t in the same period. A rotation into equities prompted the weakness in Chinese buying as well as the anti-graft campaign while extreme weather patterns in India weakened the harvest outlook and therefore sentiment amongst rural consumers.

However, we believe that over the longer term the growing middle class wealth effect in South East Asia mean that the demand outlook for gold is positive. Indeed, the cultural significance of gold in China, India and wider South Asia means that as disposable incomes rise, gold consumption is likely to rise also. **Chow Tai Fook (1929 HK)**, the world's largest jewellery retailer commissioned a 436,000m^2 jewellery park in Wuhan to capitalise on the growing market. The other long term source of physical demand is Central Banks whose net buying is likely to exceed 400t in 2015. The debasement of fiat currencies which has been recently exacerbated by declining oil prices and the strength of the US dollar is forcing central banks to consider further diversification of their reserves prompting increased bullion purchases. Our forecasts are based on an average gold price of US$1,157/oz in FY 2016F, US$1,175/oz in FY 2017F and US$1,200/oz in FY 2018F and rising to a long term US$1,250/oz in FY 2020F.

Since GDP purchases waste materials from miners, an element of the contract negotiations reflect fluctuations in the gold price. This downside protection has over the past two years been offset by the operational disruption; however, we believe this downside protection is still a benefit particularly in the near term as we do not rule out further gold price volatility. Longer term, our outlook considers only modest increases in the gold price, and we believe that GDP's model remains preferable in the current weak pricing environment and stress that the upside potential we expect for GDP is driven by the operational turnaround.

Kilimapesa Potential

Having defined a JORC 2012 resource of around 650koz at 2.43g/t Au and after pouring first gold in January 2012, the Kilimapesa Hill project has been constrained by the existing plant capacity; annual production is currently c2kozpa. According to the company, the operating loss in FY 2015F at the mine was £389k.

GDP continues to look at various options to create value from the project and the company recently announced that they are in talks with two JV partners currently. We would view an agreement for a JV on Kilimapesa as a positive and believe that the current share price does not attribute any significant value to the project.

In September 2015, GDP announced progress regarding Kilimapesa and that the dewatering of the Teng-Teng shaft has been completed. This will enable exploration of the reef, which is already known to have high grade zones, and should ultimately lead to an expansion of the resource. Furthermore, having closed one adit to the mine due to unstable ground a new entrance and cross cut have been constructed. This will allow access to the three veins at a new level of mining. GDP has guided that there is potential to expand production to up to 6kozpa, although, any further development is subject to Board Approval.

Valuation

Our valuation for **Goldplat (GDP)** is based on a 50/50 blend of NAV and 12 month forward EV/EBITDA multiple. GDP has historically traded on a trailing EV/EBITDA multiple of 6.1x, however, the sector as a whole has derated due largely to weaker gold prices and now trades on 4.8x. Based on a forward EV/EBITDA multiple of 4.8x, there is an implied 23% of upside potential. However, using our blended methodology, which incorporates NAV, the implied upside potential is 81%. As well as the operational turnaround we believe that management's focus on enhancing plant efficiency, supply chain security and transparent reporting will have a positive effect on investor perception of the stock and its valuation.

Our blended target price for GDP is 6.1p/sh. which implies 81% upside potential.

Valuation Summary

2016F EBITDA, £000	1,321
Sector 12-mo forward EV/EBITDA	4.8x
Target 12-mo forward EV/EBITDA	4.8x
Fair EV, £000	**6,393**
Net Debt, £000	(1,078)
Other, £000	1,642
Total Fair Equity Value, £000	**6,957**
# of shares (2015)	167,441
Per Share Fair Value, £000	4.15
NAV fair target price	**8.05**
Blended 12-mo Target Price, GBp/share	**6.10**
Current Price, GBp	3.38
Upside, %	81%

SOURCE: *Company data, VSA Capital Research.*

NAV-based Valuation Approach

Our NAV-based valuation approach is based on a discount rate of 8% and P/NAV multiple of 1.0x. While the South African, Ghanaian and Kenyan operations are distinct the reporting is collective and our valuation is therefore based on the combined operations. Kilimapesa is, however, on care and maintenance currently and the value contribution is justifiably limited, in our view, with the NAV currently dominated by the gold recovery operations. Until a board decision on further development is made for Kilimapesa this is unlikely to change. Furthermore, we do not attribute a value to the exploration assets in Burkina Faso and Ghana.

Goldplat NAV Valuation

Division	Division NAV (£000)	P/NAV	Fair Equity Value (£m)
Goldplat	14,044	1.0x	14,044
Total NAV (£m)			**14,044**
Consolidated Net Debt			(1,078)
Minority Interest			1,642
Total Equity Value			**13,480**

SOURCE: *Company data, VSA Capital Research.*

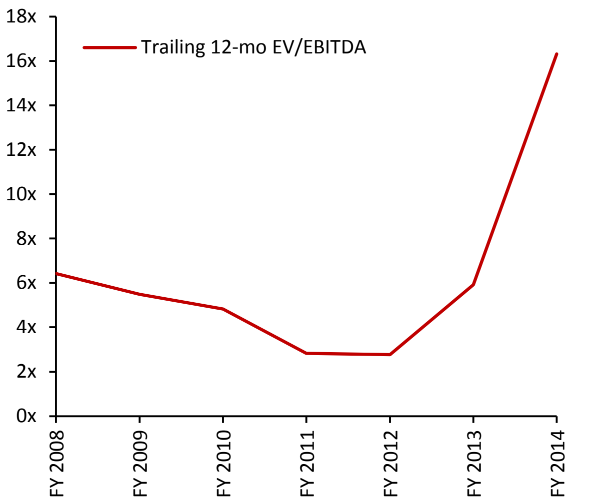
Multiple-based valuation approach

In order to derive our multiple-based equity value for GDP, we use a fair sector multiple derived from the historical valuation of the sector and a VSA fair sector discount/premium. As a result, we obtain a fair 12-month forward EV/EBITDA multiple of 4.8x which implies a per share value of 4.15p/sh, indicating 23% upside potential. Currently, GDP's peer group trades at a mean EV/EBITDA multiple of 4.8x for FY 2016F and median of 4.2x, which implies a discount of 20% to the fair multiple of 6.1x.

GDP has historically traded on an average EV/EBITDA (weighted by EV) of 6.1x since 2008. This was skewed by weak results in 2014 driven by declining gold prices and in particular by Kilimapesa's poor performance. We believe that the trailing EV/EBITDA multiple provides a strong indication of a fair long term multiple for the stock and is also indicative of a fair leading multiple.

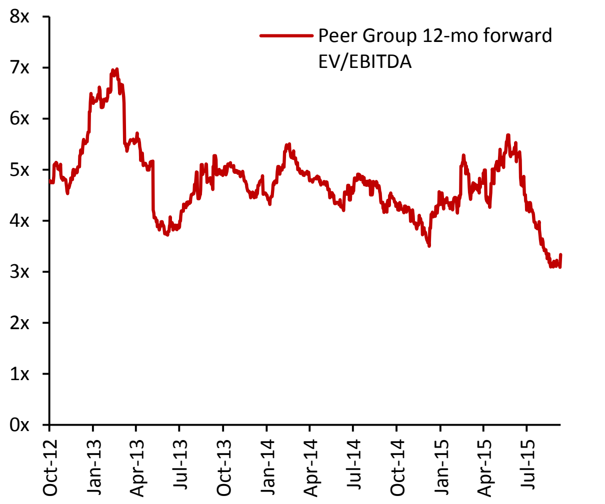
Leading EV/EBITDA data since mid-2012 is available for a portion of the peer group, where consensus forecasts have been consistently available, and over this time period the peer group has traded at an average of 4.8x EV/EBITDA. GDP's trailing multiple during this period was distorted by the operational disruption and poor performance at Kilimapesa during 2014/15. However, during 2012-13 the peer group traded at an average leading EV/EBITDA multiple of 4.6x while GDP averaged 4.4x on a trailing basis. We believe therefore that there is sufficient correlation between GDP and the peer group to provide an indicative fair valuation for GDP.

Trailing EV/EBITDA



***SOURCE:** Factset, VSA Capital Research.*

Peer Group Indicative 12-mo Forward EV/EBITDA



***SOURCE:** Bloomberg, VSA Capital Research*

Since GDP's operating model is unique there are no direct peers and we therefore have based our comparative valuation based on a mixture of African gold miners, tailings processors producing gold and one metal recycling company **Mineral Resources Limited (MIN AU).** While there are clearly drawbacks to this methodology we believe that there are similarities between the peer group and GDP in terms of the operating models and with three sets of sub groups we believe that this should create a fair comparison for GDP when viewed as a whole. Given the companies have operations in locations with similar risk to GDP we believe that country risk is also largely reflected in the peer group's current valuations.

Risks

- **Commodity Prices**. The company is primarily exposed to the gold market and unexpected changes to commodity prices are likely to affect our valuation.
- **Political Risk.** Changes to the political regime and mining code in the countries in which GDP operates would potentially alter the risk profile, namely Ghana and South Africa.
- **Operational Risk.** The potential for delays and operating issues are an inherent industry risk and there is the potential for delays to the construction of additional elution capacity. Disruptions to the supply chain present the biggest potential risk for GDP given it is necessary to regularly procure raw materials.

Peer Group Comparison

Company	Asset Locations	Share Price (local)	Market Cap (£m)	Enterprise Value (£m)	EV/EBITDA				P/E				LTM Production (koz)
					2014A	2015F	2016F	2017F	2014A	2015F	2016F	2017F	
Metal Recycling/Recovery/Service Companies													
Mineral Resources Limited	Australia	6.24	555	533	4.7x	5.1x	4.2x	4.3x	79.5x	17.1x	11.7x	11.6x	NA
Gold Producers													
Pan African Resources PLC	South Africa	0.08	145	184	6.5x	4.6x	4.2x	3.9x	12.4x	10.5x	8.7x	6.3x	196.5
Perseus Mining Limited	Ghana, Cote D'Ivoire	0.43	107	95	1.6x	3.4x	3.1x	2.4x	NM	31.4x	neg	NM	190.0
Golden Star Resources Ltd.	Ghana	0.26	43	195	12.4x	NM	43.2x	6.0x	NM	NM	NM	NM	269.6
Shanta Gold	Tanzania	0.06	103		5.8x	12.4x	7.9x	5.6x	18.4x	neg	26.8x	25.1x	84.0
Tailings Processors													
DRDGOLD Limited	South Africa	2.21	44	59	4.0x	3.8x	6.1x	7.2x	NM	8.0x	79.4x	24.3x	144.0
Total Mean					**6.2x**	**4.2x**	**13.9x**	**4.5x**	**34.7x**	**18.1x**	**neg**	**12.1x**	208.0
Total Mean (excl. High and Low)					**5.1x**	**4.2x**	**4.8x**	**4.7x**	**NM**	**13.8x**	**10.2x**	**11.6x**	193.2
Total Median					**4.7x**	**4.2x**	**4.2x**	**4.3x**	**45.9x**	**13.8x**	**10.2x**	**11.6x**	193.2

SOURCE: *Company data, FactSet, VSA Capital Research*

Financial Model Summary

Commodity Price Assumptions

Due to the likelihood of a Fed rate hike in December 2015 following the decision to hold rates at 0% in September 2015, the risk of a negative reaction in terms of gold pricing has been delayed. Trading is likely to be range-bound until this point. Longer term we expect pricing to recover as the growing middle class wealth effect is likely to have a strong positive impact on demand particularly in China and India where the cultural significance of gold is great. Central Banks have also been net buyers of gold since 2010 and we believe that the debasement of fiat currencies provides a major incentive for central banks, particularly in emerging market nations to diversify their reserves by purchasing bullion. Price forecasting is adjusted to reflect **Goldplat's (GDP)** June financial year end.

VSA Forecast

FY 2013A	FY 2014A	FY 2015A	FY 2016F	FY 2017F	FY 2018F	FY 2019F	LT
1,604	1,286	1,229	1,157	1,175	1,200	1,225	1,250

SOURCE: *Bloomberg, VSA Capital Research.*

Key Macro Assumptions

We incorporate IMF macro projections into our model for GDP, which imply high but moderating levels of inflation in the company's major operating regions. However, this is likely to be significantly offset by currency depreciation across all regions. Furthermore, weak oil prices are also likely to benefit the cost inflation outlook. A significant portion of GDP's cost base is in local currency, and FX fluctuation is therefore a key assumption. The Rand has the greatest impact on the cost base. We assume 12%pa electricity inflation, based on **Eskom's** current tariff, although we note that Eskom can demand retrospective payments depending on power usage and that the government has recently denied an application for a 25% YoY tariff increase in FY 2017.

Key macro assumptions

		FY 2012A	FY 2013A	FY 2014A	FY 2015A	FY 2016F	FY 2017F	FY 2018F	FY 2019F	FY 2020F
Ghana	**CPI,%**	7%	12%	15%	12%	10%	8%	8%	7%	7%
	GBP/GHS	2.70	3.02	3.99	5.60	5.67	6.15	6.63	7.10	7.61
Kenya	**CPI,%**	9%	6%	7%	5%	5%	5%	5%	5%	5%
	GBP/KES	141	134	141	144	146	151	156	162	169
South Africa	**CPI,%**	6%	6%	6%	5%	6%	6%	6%	6%	6%
	GBP/ZAR	12.30	13.80	16.90	18.02	20.43	21.41	22.44	23.50	24.59

SOURCE: *IMF, VSA Capital Research*

Production Estimates

In total, GDP has capacity to produce around 35koz of gold each year. Around 20koz is produced from own account, either from by-product material purchased from mining companies and other sources or mined at Kilimapesa. The balance is toll-processed. Revenues for own production directly reflect the price of gold, however, toll processing charges are merely a percentage, however, filling capacity at the processing plant benefits unit costs and is therefore more attractive than own production alone.

Gold production forecast

	FY 2013A	FY 2014A	FY 2015F	FY 2016F	FY 2017F	FY 2018F	FY 2019F	LT
Produced, koz	35,099	29,814	30,524	31,500	32,000	35,000	35,000	35,000
Sold, koz	35,099	28,216	24,904	35,000	32,000	35,000	35,000	35,000

SOURCE: *Bloomberg, VSA Capital Research.*

Business Overview

Goldplat (GDP) is an African focused, gold recovery services company with operating assets located in South Africa and Ghana. GDP also has a site in Burkina Faso where the gold recovery operations could potentially be replicated. Alongside the recovery operations, GDP has a small gold exploration portfolio in Kenya, Burkina Faso and Ghana as well as the producing Kilimapesa mine in Kenya.

Gold Recovery Operations

The recovery operations located in South Africa and Ghana are the core operations of the business. Mining regulations in South Africa and Ghana obligate mining companies to dispose of mining waste in an environmentally responsible manner. Such waste takes the form of woodchips, fine carbon, gear grease, smelter slag and mill liners. It is often uneconomic for individual mines to commit to reprocessing these materials; however, GDP by performing this operation on a large scale is able to economically treat this material whilst extracting remaining precious metal content. GDP has various process lines which allow the company to treat these different materials.

GDP produces gold bars and concentrates containing precious metals as the final saleable product.

Overall, we believe that GDP has the capacity to produce around 35koz of gold each year. Production is either from by-product material, primarily purchased from mining companies in South Africa and Ghana and some other foreign mining companies that also deliver material on a regular basis. Currently, a small portion is mined at Kilimapesa.

Raw materials

- **Woodchips** provide a major feed stock for GDP. Timber is used to support underground roofs in connecting tunnels as well as at the work face. Blasting damages the wood beams which are consequently replaced while the splinters resulting from the blasts become mixed with ore. Extraction techniques initially screen for woodchips since they cause issues, particularly for Carbon-in-Pulp (CIP) processes. During the blasting, gold ore becomes locked within the wood matrix meaning that it is therefore a gold bearing waste product suitable for processing by GDP.

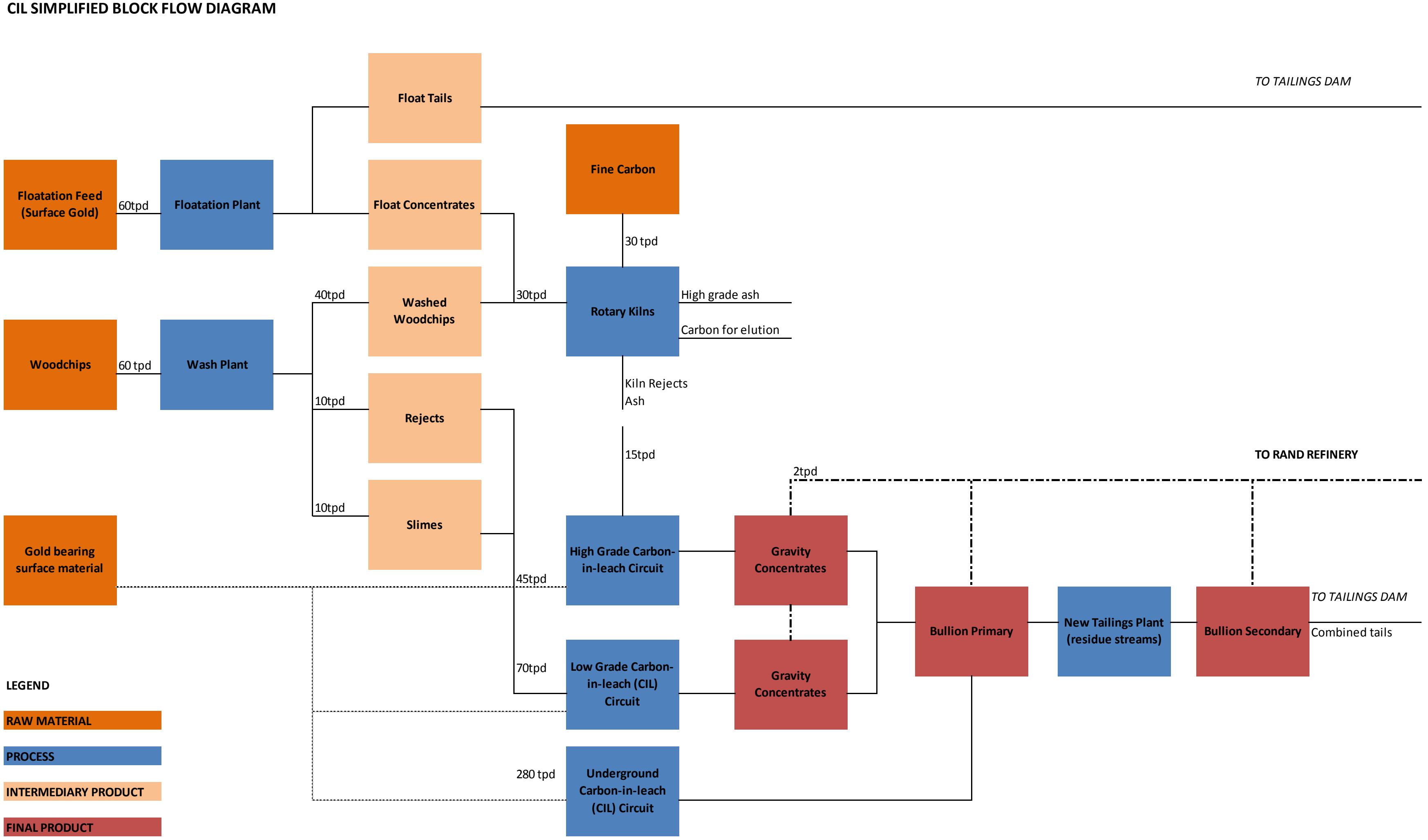
- **Fine carbon** which is gold bearing is generated as processing plants re-process activated carbon for re-use. The carbon grains are collected by screens or filters in the mine operator's processing plant and discarded. Activated carbon is used in the CIP process and a gold cyanide solution is adsorbed onto the carbon. Subsequently the loaded carbon is washed and the gold is extracted via elution. However, screens often impose a minimum mesh size on the carbon that is eluted leaving a fine gold-bearing carbon by-product which must be disposed of.

- **Waste grease** collects spilt gold ore, the grease is periodically changed by the mine operator and GDP are consequently able to process this material.

- **Mill liners** were introduced to limit the lock-up of gold within the processing plant and protect the mill shell. However, while the liners have significantly improved recovery rates they still collect small amounts of gold. Made of rubber or steel alloys, GDP has the capability to liberate these concentrations of gold via its process lines. There are a number of operating factors which result in differing levels of gold concentration in the liners; indeed, gravity concentration processes tend to result in the highest gold contents in mill linings. Other factors that are also key determinants include the relative density of pulp in the mill, the feed rate, the head grade of the RoM ore, the fragmentation of the RoM ore and the volumetric loading of the mill charge.

GDP routinely refers to by product materials as surface materials this includes top layers removed from old mining operations where organic matter reduces recoverability as well as screened rock dumps and other material collected during environmental clean-ups.

Flowchart of Goldplat's South African process plant



SOURCE: *Company data, VSA Capital Research.*

Process Routes

Due to the variety of raw material feeds that GDP receives from its suppliers it has a number of different, although often interlinked processes to produce the final concentrate or bullion product. The diagram on the previous page seeks to clarify the process routes at the South African operation.

Wash Plant

The first stage of processing for the woodchips is the wash plant which has a capacity of 1,000tpm. The woodchips are washed and the overzise material is screened out. The oversize is then stockpiled to be fed into one of the milling circuits whilst the washed woodchips are stockpiled to be fed into the rotary kilns.

Low Grade Circuit

The low grade circuit has a capacity of 1,500tpm and recoveries can vary from 50-60% depending on the characteristics of the low grade ash and surface material fed into the circuit. Gravity concentrators are also used to improve the overall recovery. Fine sands, pumped from the woodchip wash plant screen is added to the thickener where it is mixed with the mill discharge. Here flocculent and lime is added to increase the density and pH. Excess water is pumped back to the wash plant and the thickener underflow is fed to the nine carbon-in-leach (CIL) tanks. Oxygen is added to the first tank to serve as a pre-treatment tank followed by sodium cyanide solution which is added to the second tank to allow the gold to dissolve and adsorb onto the activated carbon present in tanks two to nine. From the CIL circuit the loaded carbon is transferred to the elution plant for gold recovery through electro-winning and smelting; the residue is pumped to the stock dam for reprocessing at a later stage.

The concentrate produced by the gravity concentrator is further refined externally (e.g. Rand Refinery) whilst the tails from the gravity concentrator returns to the milling circuit.

Underground line

The underground circuit processes various surface materials and has a capacity of 7,500tpm. Some surface material requires crushing before being fed into the mill. The mill discharge is then pumped to a cyclone for further classification and the overflow from the cyclone is pumped to the thickener to follow the standard carbon-in-leach process.

High Grade Circuit

The high grade circuit, as with the low grade circuit, has a capacity of 1,500tpm and the feed material is typically higher grade ash from the rotary kilns blended with other surface material. Gravity concentrators and a standard carbon-in-leach circuit is used to maximise recovery similar to the low grade circuit followed by elution, electrowinning and smelting. The residue is pumped to the stock dam for reprocessing at a later stage. Recoveries in the high grade circuit are typically around 60-70%.

Rotary Kilns

Washed woodchips and fine carbon are the main material fed into the rotary kilns which produces both fine and coarse ash. Fines are conveyed to the cyclones while coarse ash exits the kiln at the firing end to be screened and milled. Fine ash from the cyclone overflow is captured by a venture scrubber and the ash from the cyclone underflow is transferred into bags for further processing. The washed gases are vented to the atmosphere via a stack.

PGM Flotation Circuit

The PGM flotation circuit has a capacity of 600tpm and enables GDP to recover PGM concentrates from woodchips and woodchip ash. The plant can also be used to recover gold from material amenable to flotation. The thickener underflow is pumped to conditioning tanks where the flotation agents are added. Conditioned pulp is then fed to the flotation cells where a concentrate is produced with tailings pumped to a separate dam. The concentrate is then fed to the high grade circuit kiln to produce a high grade ash.

Mini-plant Circuit

The coarse ash product from the rotary kilns is delivered to the mini-plant circuit for screening and milling. During the screening process coarse carbon is removed from the ash as a product for elution whilst the ash is bagged and sampled to determine the next process step. High grade ash will be further refined externally whilst low grade ash is fed into the low grade or high grade circuits.

Elution Plant

The elution plant has a current capacity of 150tpm for processing activated carbon although this will increase to 240tpm once the capital expansion projects are completed. Gold is extracted back into solution using chemicals and subsequently separated via electrowinning before being smelted to produce a bullion bar. Feedstock for the elution plant comes from carbon produced by the high and low grade circuits, the underground circuit and the mini-plant.

Ghana Recovery Operations

Ghana's government has established the Ghana Free Zones Board to promote investment through monetary and non-monetary incentives which include exemption on export levies on goods produced within the free zones, exemption from corporate income tax for 10 years and not more than 8% thereafter, no import licensing requirements, minimal customs formalities and free zone investments are guaranteed against nationalisation and expropriation and there is no restriction on foreign ownership. GDP's Ghanaian operations are located within the free zone close to Tema and therefore benefit from the tax breaks which last until FY 2017F. Furthermore, the Free Zone benefits for imports make it possible for GDP to import by-product material for destinations outside of Africa at low cost. In Ghana GDP's operation can process similar materials such as grease, rubber mill liners and fine carbon as well as smelter slags. The main circuit consists of spiral plants, static incinerators and fluidized-bed-incinerators (FBI). A small ball mill is used for milling the coarse ash produced from the FBI's as well as smelter slag for further processing.

Burkina Faso Recovery (Midas Gold SARL)

GDP has a site in Burkina Faso to potentially construct a new gold recovery plant, which is owned through a local subsidiary, Midas Gold SARL. Due to the current operating environment, the focus on the turnaround at the existing operations and the political climate in Burkina Faso there has been no further activity regarding this opportunity.

Mining & Exploration Portfolio

Aside from the gold recovery operations, GDP also holds assets for gold mining, exploration and development in a more traditional sense. These are currently of secondary focus for GDP although there is potential to monetise the projects through divestment either partially or totally.

Kilimapesa

The Kilimapesa project in Kenya, which is currently operating on a limited basis until it can be returned to a cash flow generative state of operation. GDP is continuing to search for a JV partner to bring in once it has ensured the viability of the project. The project has a mineral resource of 8.7Mt at a grade of 2.4g/t Au which implies a resource of 671koz. This resource includes 185koz at 2.92g/t Au at the measured and indicated level of confidence.

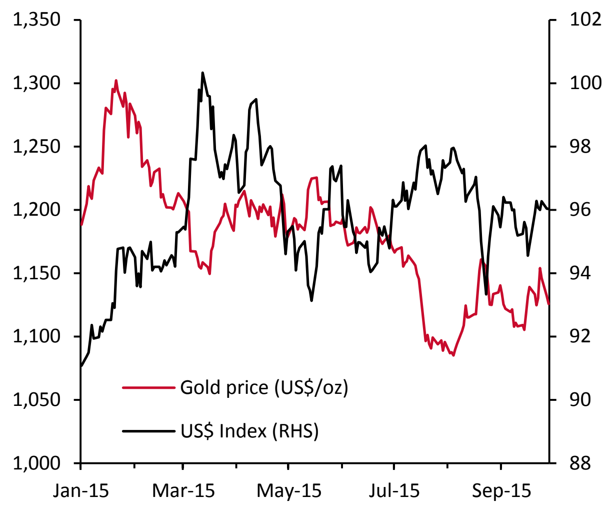
Ghana & Burkina Faso Exploration

The two early stage exploration assets located are in Southern Burkina Faso and Central Ghana. The Au Nyieme project in Burkina Faso has 11 prospective target areas, across 246km2 of which three have been drilled resulting in an inferred resource of 1.4Mt at a grade of 2.06g/t Au implying 93koz. The Anumso exploration license covers 29km2 and is located in the Ashanti region of Ghana and has an inferred resource of 2.5Mt at 2.04g/t Au implying 167koz. Further exploration on these assets is a low priority and the company is not currently continuing with any further exploration activity.

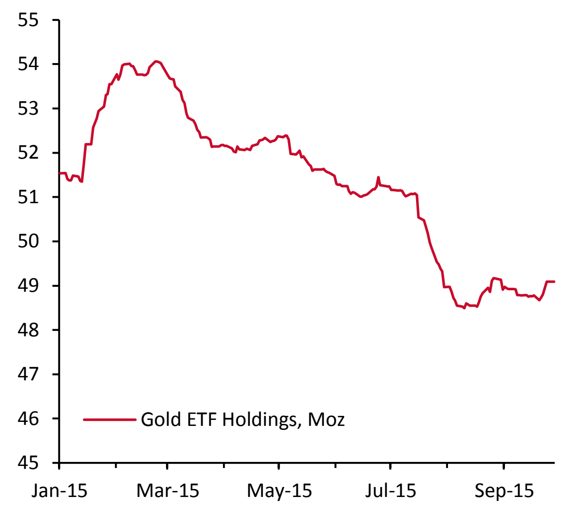
Appendix 1: Gold Market Update

Despite a brief rally in Q1 2015, the gold price is down 4% YTD and 13% from January highs. Having traded within a narrow range of US$1,150/oz to US$1,225/oz for much of the year, prices suddenly dropped 3.5% in just four seconds on 20 July, driving the gold price below US$1,100/oz, to its lowest level since March 2010 following the release of Chinese reserve data. Although there has been a marginal recovery since then there are few positive drivers. The Fed opted to hold interest rates unchanged at the September meeting and we expect continued range bound trading up until the next potential lift off date in December 2015. Furthermore the release of China's gold reserves data and disappointing jewellery consumption indicators have fuelled broader short term negative sentiment towards the metal.

USD vs Gold Price YTD



Gold ETF flows



***SOURCE:** FactSet, Bloomberg.*

The Fed

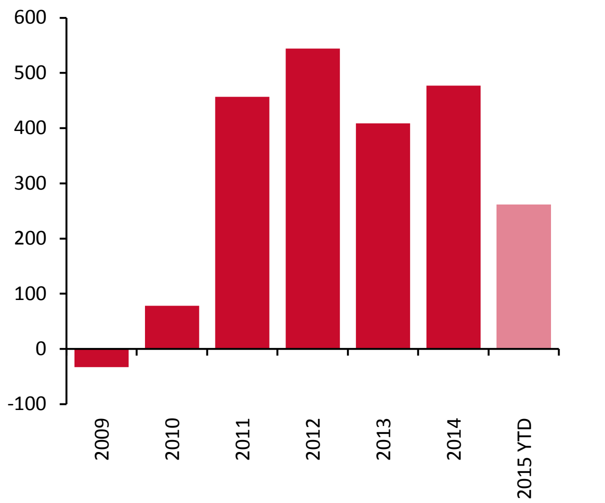
Although a weak US Q1 2015 due to poor weather led to a deferral of the anticipated lift-off date from June to September 2015 the Fed held rates unchanged in September 2015 following an increase in market volatility surrounding China's stock market crunch and latterly the RMB devaluation. The Fed began the year indicating it would end its zero rate policy, leaving December 2015 as the last chance this year and there is potential for market volatility to increase in the run up to this decision, thus tightening credit conditions and prompting the Fed to postpone and start the cycle again. The Fed risks losing credibility if it continues to avoid raising rates and while we recognise that there are significant EM risks the threat posed by China is currently being overstated by Western investors.

Indeed, the Shenzhen Composite rose 122% between January and June 2015 and fell 46% between June and August but data on the 90m retail investment accounts suggest that 40m do not contain any money, and there is less than US$15,000 in two-thirds of the remainder. While this group of investors is very influential in the stock market we believe the impact on consumption was limited, indeed 90m equates to just 7% of the population. Indeed, we believe there is a significant disconnect between the stock market and the "real economy". Strong retail sales alongside a stabilising housing market indicate that stimulus enacted through the year is having the desired effect and we believe a major crisis will be avoided, as a result. We believe therefore that a rate hike in December 2015 is now most likely and we do not rule out the potential for a further sell-off following an announcement to this effect.

Global Quarterly Jewellery Consumption

SOURCE: *WGC.*

Central Banks Buying Remains Strong



SOURCE: *Bloomberg.*

Longer Term Positive Drivers Remain

Jewellery consumption in China was weak in Q2 2015 and **Chow Tai Fook (1929 HK)**, the world's biggest listed jeweller, suffered a 17% fall in sales QoQ, driven by a 12% decline in gold products. The decline was largely due to weak sales in the Hong Kong and Macau outlets, which is probably attributable to the anti-graft campaign, as well as a short-term rotation of capital from gold into stocks, following the strong rally in Chinese equities which lasted until the end of June 2015. WGC data for Q2 2015 indicated a decline in jewellery consumption of 5% YoY decline in Chinese jewellery consumption to 185t. Given the pullback in Chinese equities, we do expect stronger demand from retail investment in China during the balance of 2015. However, this is a less significant driver for the gold price.

Outside of China, demand has also been lacklustre with Indian jewellery consumption down 23% YoY to 118t due to poor weather conditions earlier in the year which dampened sentiment amongst rural consumers. Middle Eastern jewellery consumption was also down heavily by 20% YoY in Q2 2015 to 53t. European and US jewellery consumption was, however, largely flat up 1% to 39t and 15t respectively. The fall in consumption in China and slower growth in India is negative for the near-term outlook, although the medium- and longer-term case remains robust, in our view, with rising demand driven by the growing middle class wealth effect. Indeed, one hundred million more people are expected to move into China's cities by 2020.

Other than the middle class wealth effect the other source of strong physical demand are Central Banks, and we expect the recent years of strong buying to continue, with net buying in excess of 400t in 2015, having reached 261t in H1 2015. Fiat currency debasement is the key long-term driver for Central Bank bullion purchases, and we believe that the slide in the oil prices, combined with the strong dollar, should incentivise them to further diversify reserves and increase the portion held as gold, particularly the oil dependent nations. We highlight Azerbaijan in this regard, which has purchased over 10t over the past year, while its currency was devalued 34% versus the dollar in February 2015, while Russia purchased 67t in H1 2015; the most significant net buyer globally.

VSA Forecast

2013A	2014A	2015F	2016F	2017F	2018F	2019F	LT
1,604	1,286	1,229	1,157	1,175	1,200	1,225	1,250

SOURCE: *Bloomberg, VSA Capital Research*

Appendix 2: Key Personnel

Brian Moritz, Non-Executive Chairman

Brian Moritz has extensive experience of both natural resources and financial markets. As a Chartered Accountant and Senior Partner at Grant Thornton he formed their Capital Markets team floating over 100 companies on AIM. Since 1995 when he left Grant Thornton he has sat on the board of a number of African mining companies including as Chairman of African Platinum plc and Me tal Bulletin plc. Mr Moritz sits on the audit and remuneration committees of Goldplat and is responsible for corporate governance and AIM compliance. Mr Moritz has indicated that he will step down once a suitable replacement for Non-Executive Chairman has been found.

Gerard Kisbey-Green, Chief Executive Officer

Gerard Kisbey-Green also has extensive experience of both the mining industry and financial markets spanning 28 years. Mr Kisbey-Green worked initially as a mining engineer and latterly in various management positions in a number of large South African mining companies, including Rand Mines Group. Subsequently Gerard spent 17 years as a min ing equity analyst and corporate financier.

Hansie Van Vreden, Chief Operating Officer

Hansie is a qualified Metallurgist who has held a variety of positions at Goldplat including General Manager of the South African Operations and Managing Director of the South African and Ghanaian gold recovery operations. Prior to Goldplat, Mr Van Vreden worked at Anglogold Ashanti operations in South Africa and Australia.

Ian Visage, Non-Executive Director

Ian Visage is a Chartered Accountant who has held a number of senior positions across the mining industry. After a number of years with KPMG in South Africa Mr Visage became Financial Manager of Consolidated Modderfontein Mines Limited. Prior to joining Goldplat as Financial Director in 1997 he was Financial Manager at Gravelotte Mines between 1992 and 1997.

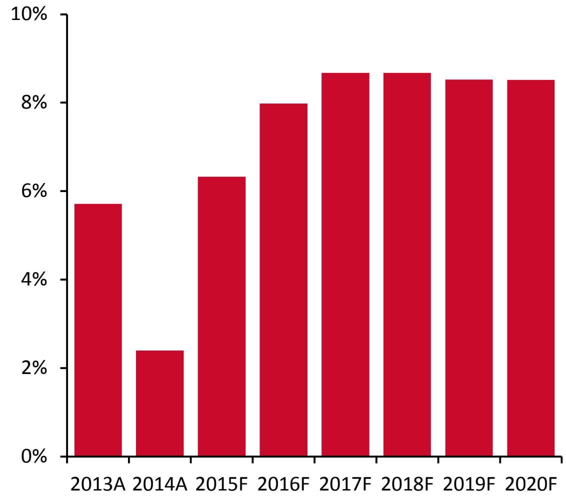
Nigel Wyatt, Non-Executive Director

Nigel Wyatt has broad experience of the mining industry with over 40 years' experience and has held a number of senior positions at a number of mining and engineering companies. Notable positions include Group Marketing Director of a De Beers subsidiary group focused on supply specialised materials, engineering and technology to the mining sector as well as later being Commercial Director of Dunlop Industrial Products Ltd. Mr Wyatt has a degree from the Camborne School of Mines in London.

Appendix 4: Burkina Faso Overview

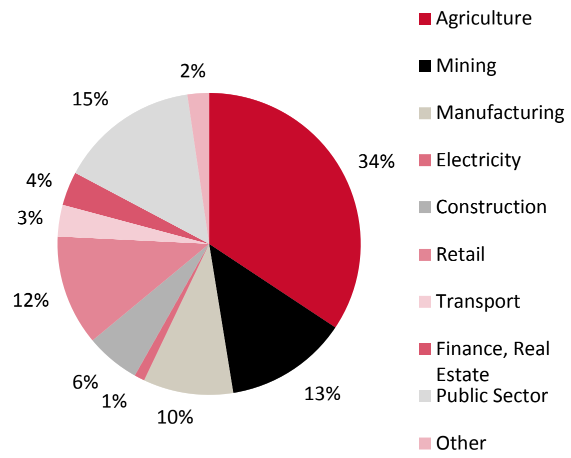
Burkina Faso, a land-locked West African nation, is currently experiencing a turbulent political transition. In 2014 after the incumbent President Blaise Compaoré attempted to change the constitution to allow an extension to his 27 years in office there was an uprising which resulted in the military taking control of a transitional government. This was planned to last twelve months while preparations for new elections could be made, however, in September 2015 a coup by another military faction delayed this process.

GDP Growth 2013-2020



SOURCE: *IMF, VSA Capital Research.*

GDP contribution by sector, 2012



SOURCE: *African Economic Outlook, VSA Capital Research*

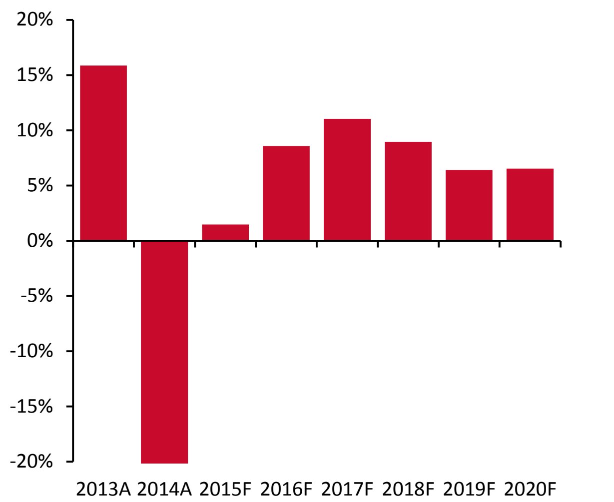
Agriculture and mining are the main growth generators in the economy with 80% of the population living in rural areas, however, the government is preparing a major infrastructure investment programme which will focus on paving major roads as well as a major new airport for the capital city, Ouagadougou. In 2012 the three leading sub-sectors accounted for over half of the country's GDP; agriculture (34%), mining (13%), commerce (12%). GDP growth is expected to reach 6.3% in 2015 according to the OECD. Burkina Faso uses the CFA as its currency which is pegged to the Euro.

In 2013 gold production was 1.47moz and is expected to reach 1.6moz in 2015, although the value of gold produced has been hit by weaker international gold prices. Mining is an important source of tax receipts for the government and the Fraser Institute has ranked Burkina Faso as the sixth most attractive African nation for investment. However, there have been instances in Burkina Faso of the government withdrawing leases from mining companies following exploration success.

Appendix 5: Ghana Overview

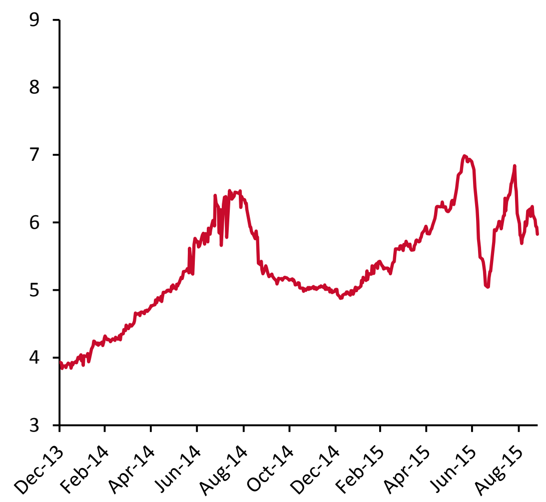
Ghana is located on the Gulf of Guinea, and has one of the most developed economies in West Africa. The downturn in oil and gold prices as well as disruption to cocoa production has weakened export revenues, widening the trade deficit resulting in currency depreciation. However, with a more diversified economy than regional peers the medium outlook for Ghana is one of the strongest in West Africa. Due to the issues in the energy sector the African Development Bank have forecasted 2015 GDP growth at 3.9% from 4.2% in 2014. However, a bounce back in 2016 is expected with GDP growth forecasted at 6% driven by the service sector which accounts for c50% of the economy. Ghana therefore has a significant level of economic diversification compared to other West African nations; however, its economy remains vulnerable to changes in global commodity prices.

Ghana GDP Growth



SOURCE: *IMF, VSA Capital Research.*

Ghana Currency Volatility



SOURCE: *Bloomberg, VSA Capital Research*

In previous election cycles there has been an increase in spending pressure from the government in the run up to the elections which are due in late 2016, however, a weakening trade deficit and sharp fall in foreign reserves has put a significant strain on government finances. Weaker commodity prices meant that from a peak of US$5.8b, in November 2014 foreign reserves have fallen 22% to June 2015 to US$4.5b, while foreign currency debt as a percentage of GDP is now 60% with government debt at 70% of GDP as of December 2014. Ghana has a persistent current account deficit which has not been aided by the weakness in commodity prices although is expected to narrow from 10% in 2014 to 7.4% in 2015. The above factors have contributed to the deterioration in Ghana's currency, the Cedi, which remains in a downward trend despite significant volatility over the past six months, YTD the GBP/GHS is down 13%.

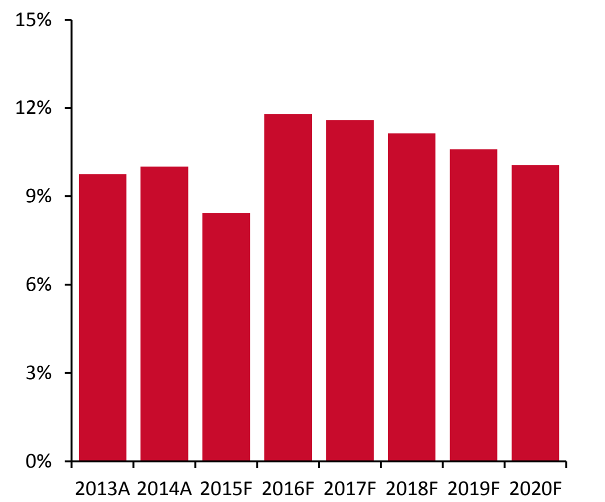
Ghana is ranked fifth in Africa in the 2014 Fraser Institute Index for investment attractiveness and is Africa's second largest gold producer behind South Africa, with major producers **Gold Fields (GFI SJ), Anglogold Ashanti (ANG SJ) and Newmont Mining (NMC CN)** operating in the country. Production has been declining in recent years, however, as high cost producers have cut output and mines have been depleted. However, the recent announcement of a JV between **ANG** and **Randgold Resources (RRS LN)** to develop the Obuasi mine should renew interest in the country's gold mining industry which produced 3.1moz in 2014. ANG reported mineral reserves of 24.5mt at 6.7g/t Au in their most recent reserve statement on Obuasi.

The government has established the Ghana Free Zones Board to promote investment through monetary and non-monetary incentives which include exemption on export levies on goods produced within the free zones, exemption from corporate income tax for 10 years and not more than 8% thereafter, no import licensing requirements, minimal customs formalities and free zone investments are guaranteed against nationalisation and expropriation and there is no restriction on foreign ownership. **Goldplat's (GDP)** Ghanaian operations are located within the free zone close to Tema and therefore benefit from the tax breaks.

Appendix 5: Kenya Overview

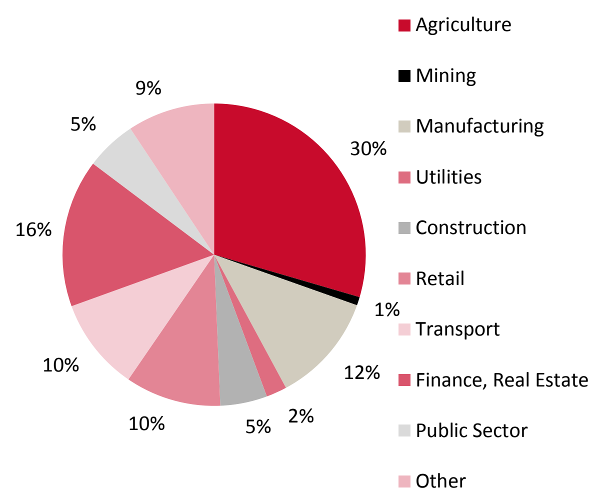
Kenya is located on the East coast of Africa and is the economic leader in the region. According to World Bank data, Kenya's economy grew by 5.4% in 2014 and is projected to grow by 6% in 2015 the largest and one of the fastest growing economies in East Africa. The growth outlook in the medium term appears robust supported by the government's fiscal and monetary discipline although rising security concerns have worsened the outlook for the tourism sector which is a key employer and growth driver. Kenya's GDP was rebased in September 2014 which resulted in its reclassification as a lower middle income country; indeed, poverty at 45% in 2005 has declined to 34-42% in 2014. Total public debt in 2014 was 43% of GDP while average annual inflation was 6.9% which is expected to fall in 2015 due to weaker global commodity prices.

Kenya GDP Growth



SOURCE: *IMF, VSA Capital Research.*

Kenya GDP contribution by sector, 2013



SOURCE: *African Economic Outlook, VSA Capital Research*

As part of China's Silk Road Development programme, the modern sea route from Europe to China through the Red Sea and Indian Ocean includes Mombasa as the major port on the East coast of Africa. The potential arising from the infrastructure development and increased trade from this is hugely significant for Kenya and is likely to result in greater FDI. However, a lack of transparency in the mineral title process as well as an increased terrorist threat has weakened Kenya's position on the Fraser Institute's 2014 ranking of African investment attractiveness for natural resources.

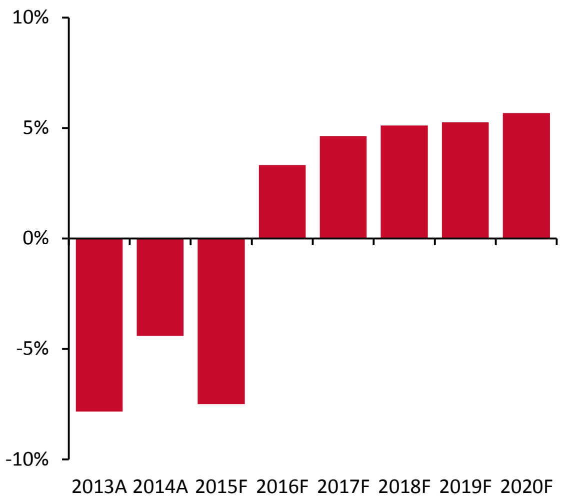
Historically Kenya has focused on the development of farming, tourism, manufacturing and service industries, and the mining industry is therefore relatively underdeveloped compared to other African nations however, **Goldplat's (GDP)** Kilimapesa gold mine was the first to be commissioned in Kenya in January 2012. The government intends to carry out a national aerial survey in order to map potential mineral deposits in order to attract further FDI.

Appendix 6: South Africa Overview

Major labour unrest in 2012 has severely impacted South Africa's economy while power shortages and weak investment have also resulted in weak growth in recent years while unemployment reached 24% at the end of 2014. However, major depreciation of the Rand is beginning to drive a recovery. GDP growth is expected to rise to 2% in 2015 from 1.5% a year earlier while the current account deficit has narrowed for four consecutive quarters, down to 3.1% of GDP at the end of Q2 2015.

South Africa is one of the world's major commodities producers and in 2012 with more than 50% of global PGM production. Although the largest gold producer in Africa, on a global scale South Africa's position is much lower less significant with just 6% of global production in 2012. Although mining has been declining as a share of GDP in South Africa it remains critical to the economy, employing around 25% of the six million people employed in non-agricultural industry that is supported by the mining sector and contributing c17% of the corporate tax bill, according to 2011 data from the South Africa Chamber of Mines. Many of the difficulties the South African mining industry faces are common to all mining economies; indeed, declining grades, resource nationalism and rising costs are issues that face all mining companies. However, labour unrest and power shortages affect the mining industry more acutely than others. Constant wage negotiations where unions demand wage increases greater than CPI are disproportionately raising South African operating costs while power blackouts due to insufficient supply threaten to halt production temporarily.

South Africa GDP Growth



SOURCE: *IMF, VSA Capital Research.*

USDZAR Depreciation

SOURCE: *Bloomberg, VSA Capital Research*

Since **Goldplat (GDP)**'s operations are not labour intensive and there is no union representation this is not a significant threat to GDP operationally. Power shortages due to chronic underinvestment by the state electricity provider **Eskom** has led to blackouts across the country in recent years. Eskom control approximately 95% of power production in South Africa and it is underinvestment on their part which caused the blowout in energy tariffs from 2007-11 which averaged 27.5%pa. Between 2014-19 tariff increases have been set at 8%pa although the threat of blackouts remains and Eskom may collect further payments retrospectively meaning annual increases may exceed 8%.

Black Economic Empowerment

BEE is a government scheme aimed at redressing the inequalities created by apartheid. The programme is aimed at improving the welfare of historically disadvantaged South African (HDSA) citizens (black Africans, Indians and Chinese) through economic empowerment. As part of the movement a specific charter for the mining industry was drawn up. The Broad Based Socio-Economic Charter for the South African Mining Industry was adopted in 2004 and affects a large part of the industry. Mining companies are expected to create an 'enabling environment' for both historically disadvantaged groups through human resource development, improved employment opportunities and living standards. Importantly the Charter encourages greater participation in mining companies, both active (through control, or strategic JVs/partnerships and mining dedicated unit trusts) and passive (through employee share ownership programmes). Mining companies are expected to achieve 26% HDSA ownership by 2014. However, it s important to note that unlike cases of resource nationalism experienced in other parts of the world, foreign domiciled companies are not subject to ownership laws. GDP is fully BEE compliant.

Appendix 3: Financial Statements

Profit and Loss (£000)

	2013A	2014A	2015A	2016F	2017F	2018F
Revenue	**28,904**	**21,020**	**16,628**	**21,368**	**20,036**	**22,328**
Cost of sales	(24,338)	(19,202)	(15,660)	(19,123)	(18,004)	(19,933)
Gross Profit	**4,566**	**1,818**	**968**	**2,245**	**2,032**	**2,395**
SG&A	(1,927)	(1,665)	(1,679)	(1,517)	(1,423)	(1,585)
Finance Income	300	429	843	0	1	1
Finance costs	(359)	(830)	(807)	(23)	(23)	(23)
Impairment of assets	(2,373)	-	(121)	-	-	-
Profit before taxation	**207**	**(248)**	**(796)**	**706**	**588**	**788**
Mining and income tax	(606)	(108)	(96)	(131)	(152)	(202)
Profit for the year	**(399)**	**(356)**	**(892)**	**574**	**435**	**586**
Non-controlling interest	396	171	251	355	269	362
Attributable to equity holders of the company	**(795)**	**(527)**	**(1,143)**	**219**	**166**	**223**

SOURCE: *Company data, VSA Capital Research.*

Balance Sheet (£000)

	2013A	2014A	2015A	2016F	2017F	2018F
Non-current Assets						
Property, Plant & Equipment	4,917	4,202	4,449	4,456	4,147	3,587
Intangibles	8,738	7,194	7,033	7,033	7,033	7,033
Pre-production Expenditure	1,613	2,457	2,136	2,136	2,136	2,136
Proceeds from Sale of Shares in Subsidiary	1,960	1,448	1,357	1,357	1,357	1,357
Total Non-Current Assets	**17,228**	**15,503**	**15,208**	**14,982**	**14,673**	**14,113**
Current Assets						
Inventories	4,437	5,088	7,727	5,854	4,391	3,670
Trade & Other Receivables	4,759	4,786	3,305	3,513	3,294	3,670
Taxation	297	-	-	-	-	-
Cash & Bank Balances	2,362	1,455	630	1,078	1,881	2,991
Total Current Assets	**11,855**	**11,329**	**11,662**	**10,445**	**9,566**	**10,332**
Total Assets	**29,083**	**26,832**	**26,870**	**25,427**	**24,239**	**24,444**
Equity						
Share Capital	1,684	1,685	1,685	1,685	1,685	1,685
Share Premium	11,494	11,498	11,498	11,498	11,498	11,498
Exchange Reserve	(2,234)	(5,847)	(6,707)	(6,707)	(6,707)	(6,707)
Retained Earnings	11,711	11,011	9,868	9,854	10,020	10,243
Minority Interest	1,525	1,642	1,893	1,893	1,893	1,893
Total Equity	**24,180**	**19,989**	**18,237**	**18,223**	**18,389**	**18,612**
Non-Current Liabilities						
Loans & Borrowings	-	-	56	-	-	-
Obligations Under Finance Leases	140	106	199	199	199	199
Provisions	134	129	121	121	121	121
Deferred Tax Liabilities	459	430	459	459	459	459
Total Non-Current Liabilities	**733**	**665**	**835**	**779**	**779**	**779**
Current Liabilities						
Loans & Borrowings	-	-	104	-	-	-
Obligations Under Finance Leases	151	169	120	120	120	120
Taxation	-	27	18	18	18	18
Trade & Other Payables	4,019	5,982	7,556	6,287	4,932	4,915
Total Current Liabilities	**4,170**	**6,178**	**7,798**	**6,425**	**5,070**	**5,053**
Total Liabilities	**4,903**	**6,843**	**8,633**	**7,204**	**5,849**	**5,832**
Total Equity & Liabilities	**29,083**	**26,832**	**26,870**	**25,427**	**24,239**	**24,444**

SOURCE: *Company data, VSA Capital Research.*

Statement of Cash Flows (£000)

	2013A	2014A	2015A	2016F	2017F	2018F
Cash Flows From Operating Activities						
Net Income	(795)	(527)	(1,143)	219	166	223
Depreciation	361	393	390	593	760	1,010
Amortisation	43	28	189	-	-	-
Loss on sale of PP&E	29	35	148	-	-	-
Equity settled share based payment transactions	141	28	-	-	-	-
Reversal of gold inventory	-	-	-	-	-	-
Foreign exchange differences	(253)	(1,238)	(172)	-	-	-
Changes in Working Capital						
(Increase)/decrease in inventories	87	(651)	(2,639)	1,873	1,463	721
Decrease/(increase) in trade and other receivables	1,104	(27)	1,481	(208)	219	(377)
Decrease in trade and other payables	(2,170)	1,970	1,574	(1,269)	(1,354)	(18)
Provisions	(47)	(5)	(8)	-	-	-
Interest received	300	429	843	-	-	-
Interest paid	(349)	(832)	(679)	-	-	-
Taxes paid	(878)	187	(76)	-	-	-
Net cash generated by operating activities	**1,007**	**470**	**219**	**1,208**	**1,253**	**1,560**
Cash flows from investing activities						
Payments for property, plant and equipment	83	(510)	(909)	(600)	(450)	(450)
Acquisition of non-controlling interests	(583)	-	-	-	-	-
Other	(1,576)	(467)	(99)	-	-	-
Net cash (used in)/generated by investing activities	(2,076)	(977)	(1,008)	(600)	(450)	(450)
Cash flows from financing activities						
Proceeds from borrowings	-	-	160	-	-	-
Repayment of borrowings	-	-	-	(160)	-	-
Proceeds from issue of share capital	50	-	-	-	-	-
Own shares purchased	(68)	-	-	-	-	-
Dividends paid	(1,010)	(201)	-	-	-	-
Payment of finance lease liabilities	(114)	(199)	(196)	-	-	-
Net cash used in financing activities	**(1,142)**	**(400)**	**(36)**	**(160)**	**-**	**-**
Net increase in cash and cash equivalents	**(2,211)**	**(907)**	**(825)**	**448**	**803**	**1,110**
Cash and cash equivalents at the beginning of the year	**4,573**	**2,362**	**1,455**	**630**	**1,078**	**1,881**
Cash and cash equivalents at the end of the year	**2,362**	**1,455**	**630**	**1,078**	**1,881**	**2,991**

SOURCE: *Company data, VSA Capital Research.*

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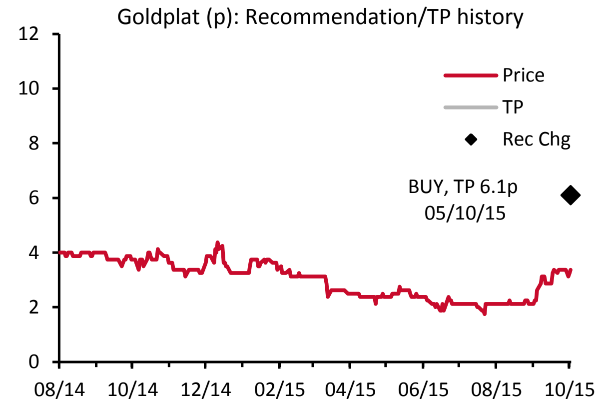
Equities breakdown: 30 June 2015	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	26.3%	68.4%	5.3%	0.0%
Companies to which VSA has supplied investment banking services	25.0%	75.0%	0.0%	0.0%

Recommendation and Target Price History



***SOURCE**: FactSet data, VSA Capital Research.*

Valuation basis

Our valuation for GDP is based on a 50/50 blend of NAV and 12 month forward EV/EBITDA multiple.

Risks to that valuation

Commodity prices, political risk, execution risk.

This recommendation was first published on 5 October 2015.