

Goldplat plc[#]

BBG Ticker: GDP LN

Price: 5.63p

Mkt Cap: £9.42m

BUY

Focus on Optimisation of Core Business

In a trading update yesterday, ahead of the results on 10 March, gold recovery company Goldplat admitted that it had seen a difficult H2 2013. It cited delivered material grades below historic norms, as well as a generally lower gold price received on recovered ounces.

To help mitigate the decrease in the gold price and boost operating margins, it has focussed on revising by-product procurement contracts and cancelling low-grade arrangements with existing suppliers. It has also moved some operations at its recovery plant in South Africa to 24-hour working. Cyanide purchases at much lower delivered costs since October 2013 are also offering significant benefits. Pre-purchased stockpiles will be increased, with procurement prices to be arranged at the corporate level, rather than from individual mine operations. It is anticipated that this will improve margins. Depreciation of the Rand in relation to the US\$ has also helped to buffer the impact on margins.

For its operations in Ghana, procurement prices for tailings from artisanal miners have been significantly improved. In addition, several new clients have recently been signed, to further utilise the incineration section of the plant at higher levels, while existing contracts have been renewed on more favourable terms. The Kilimapesa gold mine in Kenya remains on care and maintenance, with the company as yet undecided as to its future.

Responsible Gold Producer Status

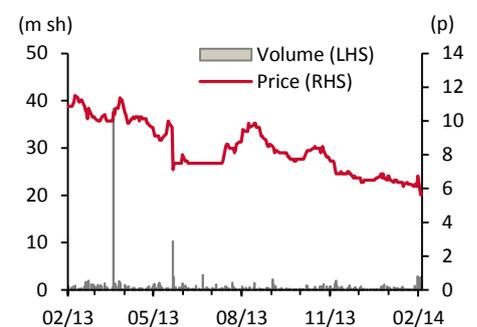
Goldplat South Africa received the Responsible Gold Producer certificate from Rand Refinery in December, in recognition of the effort and due diligence it exercises in acquiring stocks for processing from sources which operate in a sustainable and labour compliant manner. It is the first secondary gold producer in South Africa to achieve this designation, and we believe this will be increasingly valuable to the company as a branding identifier to buyers of Goldplat's recovered gold.

Recommendation and Target Price

Goldplat has been affected by the decline in the gold price as much as any primary gold producer in the past year. However, focusing on its core competencies, and optimising the supply and procurement of stocks and consumables, is already showing benefits, and we expect the improvement in operating performance to continue. We retain our **BUY** recommendation and will be amending our target price in due course, once we have incorporated the most recent trading news into our model.

Company Description:

Goldplat recovers gold from milling residues at plants in Ghana and South Africa.



Price % chg	1mn	3mn	12mn
	-13.5%	-26.2%	-48.3%

12mn high/low: 11.50p/5.63p

SOURCE: FactSet, as of 17 February 2014 close.

Market:	AIM
Sector:	Mining
Location:	South Africa, Ghana, Kenya
Shares in issue:	167.4m
Price target:	U/R

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#VSA Capital acts as Joint Broker to Goldplat.

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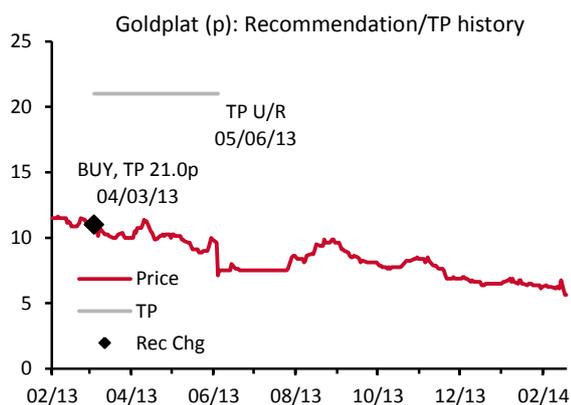
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Equities breakdown: 31 December 2013	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	14.3%	65.7%	14.3%	5.7%
Companies to which VSA has supplied investment banking services	14.3%	85.7%	0.0%	0.0%

Recommendation and Target Price History



This recommendation was first published on 4 March 2013.

Target price placed under review on 5 June 2013.

SOURCE: FactSet data, VSA Capital estimates.