

BUY

Unchanged

Price 11.5p
Target price 21.0p

Reuters/BBG Index Sector Market Cap
GDP.L/GDP.LN FTSE AIM Mining £19.4m

MORNING COMMENT

Goldplat*

Goldplat's low earnings multiple

Event

A post FY11 close update from Goldplat stated the operating performance from its South African recovery operations in Q3 & Q4 of fiscal 2011 was stronger than Q1 & Q2. Accordingly we have revised our forecast numbers to account for this and the delay in production from the Kilimapesa gold project in Kenya. Our previous forecast was for c1,300 oz of production from Kilimapesa for FY11 Q3&4 (combined) out of a global total of c 18,926 oz of production from Goldplat.

Notwithstanding the production delays at Kilimapesa, due to the strength of the recovery operations, we have upgraded our total FY11 Goldplat production estimate to 19,142 oz (previously 18,926 oz) and made changes to our commodity price and exchange rate assumptions as per Table 1. See Table 2 for revised production and financial estimates.

Table 1: Precious Metal & Currency Assumptions

Year End June		FY11E	FY12E	FY13E	FY14E	FY15E
Gold Price	USD	1,550	1,450	1,300	1,300	1,300
Previous Gold Price		1,250	1,150	1,000	1,000	1,000
<i>Variation</i>		24%	26%	30%	30%	30%
Platinum Price	USD	1,625	1,550	1,400	1,400	1,400
Previous Platinum Price		1,550	1,300	1,200	1,200	1,200
<i>Variation</i>		5%	19%	17%	17%	17%
ZAR/USD Exchange Rate		0.143	0.146	0.146	0.146	0.146
Previous ZAR/USD Exchange Rate		0.140	0.140	0.140	0.140	0.140
<i>Variation</i>		2%	4%	4%	4%	4%
GBP/USD Exchange Rate		1.605	1.630	1.630	1.630	1.630
Previous GBP/USD Exchange Rate		1.580	1.580	1.580	1.580	1.580
<i>Variation</i>		2%	3%	3%	3%	3%
Cedi/USD Exchange Rate		1.47	1.51	1.51	1.51	1.51
Gold & Platinum Payability		94%	94%	94%	94%	94%

Source: WH Ireland

Table 2

		FY11E	FY12E	FY13E	FY14E	FY15E
Total Revenue	USD	31.89 (25.3)*	30.89(23.9)	26.98(20.8)	25.08 (25.1)	25.26 (19.4)
Total Revenue	GBP	20.19(16.0)	18.46(15.1)	16.55(13.17)	15.39(12.2)	15.50 (12.3)
Group EBIT	USD	5.33	9.72	9.34	9.04	9.03
Group EBIT	GBP	3.37	5.02	4.59	4.13	4.10
NPAT	USD	4.61 (4.86)	5.69(5.79)	5.46(5.10)	5.24(4.58)	5.24(4.55)
NPAT	GBP	2.92(3.08)	3.49(3.67)	3.35(3.22)	3.22(2.90)	3.21(2.88)
P/E		6.3	5.3	5.5	5.7	5.7
Attributable Production	OZ	19,142	19,556	19,556	17,103	17,251

Source: WH Ireland estimates * denotes previous forecast

*WH Ireland acts as Broker and Nomad

MARKETING COMMUNICATION

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research.

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Implication

These key assumption changes result in small changes to Goldplat's forecast NPAT and our NPV remains unchanged at 21p per share, largely on account of revenue increases being met by cost uplift.

Although our production estimates for FY12 and beyond remain unchanged (from previous forecasts) we note that Goldplat is very active in both securing additional recovery plant feed and upgrading plant capacity. In this regard the floatation circuit of the South African recovery operation has had throughput capacity increased by c15% and further plant upgrades are currently progressing. We therefore expect our production forecasts for FY12 and beyond to be upgraded in due course.

Although Goldplat is trading on a very undemanding earnings multiple and a discount to recovery plant replacement cost it is imperative to highlight that valuing Goldplat on these metrics alone is becoming increasingly redundant as the companies trajectory into gold project development and mining gathers pace.

Goldplat is planning to increase the JORC compliant resource at Kilimapesa from c136,000 oz to c500,000 oz. At Banka (Ghana) Goldplat is targeting a JORC compliant resource of c 250,000 – 300,000 oz (non JORC resource presently c 207,000 oz). The current JORC compliant resource at Nyieme (Burkina Faso) stands at c 57,500 oz.

Table 3 gives the market implied resource valuations ascribed to a basket of AIM, TSX and ASX listed gold companies with African operations. Although this table does not and cannot capture differences such resource grade, location, stage of development and ultimate economics it is nonetheless indicative of the valuation magnitude that could ultimately be ascribed to Goldplats project development and mining activities. We highlight that our Goldplat NPV of 21p per share is based entirely on the value of the South African and Ghanaian recovery operations and Kenyan mining operation.

Table 3

	EV/JORC Resource \$oz
Golden Rim (GMR)	290
Gryphon (GRY)	210
Ampella (AMX)	180
Castle (CDT)	160
Chalice (CHN)	120
Papillon (PIR)	80
Nyota (NYO)	80
Burey (BYR)	70
Signature (SBL)	60
PMI (PVM)	50

Source: WH Ireland

Investment Opinion

Goldplat continues to make progress towards adding significant mining assets to its portfolio. The company also has a long history of profitability and is highly cash generative. Goldplat is a compelling investment case on an asset, earnings and prospectivity basis. **BUY**

Disclosures

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Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution

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Recommendation	Total Stocks	Percentage %	Corporate
Buy	29	72%	20
Speculative Buy	5	12%	4
Outperform	1	3%	0
Market Perform	4	10%	3
Underperform	1	3%	0
Sell	0	0%	0
Total	40	100%	27

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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