



Morning Comment

12 July 2012

GoldStone Resources Ltd (GRL.L)#	4.08p (4.00p-4.15p) (52-Wk: High 11.75p Low 3.78p)
BUY: 12 Month Price Target: 15p	Market Cap: £13m

Ghana Update

GoldStone Resources released a short update announcement this morning covering its flagship brownfield gold project in Ghana at Homase/Akrokerry. From this we learnt the results of six new drill holes, the grades of which were all higher than the 0.5 g/t cut off grade from the previous resource estimate, at between 0.6 g/t and 2.2 g/t, with the true intercepts ranging from 8.0 to 15.3 metres. Today's results confirm the existence of further depth extensions to the existing JORC resource and encouragingly point to the potential for the resource to be expanded in size, hopefully nearer to what has been achieved by other exploration development companies at nearby projects such as Chirano and Edikan. The assays from further drill holes are awaited, along with results of the recently completed VTEM survey over the project area. With such a wealth of data to analyse and understand, drilling operations in Ghana have been suspended for the time being, ahead of the next drilling phase.

Comment & Recommendation

The shares have bounced a little from their 2012 lows of around 3.5p, but still remain a long way from our target price of 15p, which thus offers new investors at this near basement level entry point, considerable upside potential. This valuation is based solely upon our estimate of GoldStone's Homase/Akrokerry asset value derived from the current JORC resource of 405,556 ounces. The forthcoming resource estimate upgrade should lead us to nudge our target price higher. Investors should also not forget that active drilling programmes are continuing in Gabon and Senegal. A major discovery in either country, in particular Senegal, could lead to a sharp rise in the stock price. With the rainy season anticipated to start later this month, there is a sense of urgency in completing the current programme. Once the assays are returned from the labs, we should learn more about this highly prospective permit area, near to which a number of highly significant discoveries have been made by other exploration companies.

Optiva Securities act as joint broker to GoldStone Resources.

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