



Morning Comment

6 Sept 2012

GoldStone Resources Limited (GRL.L)#	3.20p (3.10p-3.30p) (52-Wk: High 7.75p Low 3.15p)
BUY: 12 Month Price Target: 15p	Market Cap: £10.4m

Early Senegal Drill Results

GoldStone Resources reported this morning some highly encouraging maiden drilling results from its Sangola project in Senegal. Drilling was focused on the Thiabedji gold anomaly, which has helped to outline a 1.2 km long mineralised trend that is up to 70 metres wide and remains open along strike. The best result included 9 metres at 4.7 g/t gold, within which contains a smaller intersection of 3 metres at 11.8 g/t. The announcement contained the best results from the 293 holes that have been drilled and assayed to date. Results from a further 125 holes are awaited. The rotary air blast drilling (RAB) programme penetrated only the laterite and weathered rock. To test if the gold mineralisation extends into fresh rock at a deeper level, a reverse circulation drilling programme will be required, which the management intend to conduct during the next dry season that starts in December. The management are also keen to test additional surface gold anomalies such as those at Baraboye and Tiobo with a RAB drilling exercise.

Comment & Recommendation

The reporting of today's discoveries in Senegal by GoldStone confirms the management and our own optimism for the permit. As we previously highlighted, Senegal is a target rich environment where a number of multi-million ounce gold discoveries have been successfully made in the recent past. We await further exploration results from Senegal within the next few weeks, once the drill samples have been assayed in the lab. A JORC resource upgrade from Ghana and results from Gabon will add to further newsflow output over the next few months. The shares currently trade at just above 3p, near to their 24-month low and therefore provide a favourable entry point for investors seeking high impact potential gold exploration exposure. We continue to rate the stock as a BUY, with a 15p price target (1 August 2012). A selective number of gold producers and exploration stocks have started to rise in the last few weeks. It could soon be time for GoldStone to join this rally as investors begin to appreciate that there is more to the company's prospects than just its Ghana assets, given today's news from Senegal and in anticipation of further drilling results in the near term from the country.

Optiva Securities act as joint broker to GoldStone Resources Limited.

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