

**BUY**

Price **2.2p**

Target Price **9.7p (unch)**

Reuters/BBG Index	GRL.L / GRL LN FTSE AIM
Sector	Mining
Market Cap	£7.0m
Shares in Issue	319.8m
NAV	0.7p
Gearing	N/A
Interest Cover	N/A

<b>Performance</b>	<b>AIM</b>
1 month:	-21%
3 months:	-18%
12 months:	-56%
High/Low	6.4p / 2.1p

<b>Last Results</b>	Interims: Nov 2012
<b>Next Results</b>	Annual: Jun 2013
<b>Next Event</b>	Drill Updates from Gabon



Source: CapitalIQ

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\*WH Ireland acts as broker and NOMAD to GoldStone Resources

**Marketing Communication**

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**GoldStone Resources\*#**

**Update from Oyem in Gabon and other GoldStone Projects**

GoldStone Resources is a gold exploration company with properties in West Africa. It has an advanced exploration project at Homase / Akrokerry in Ghana, close to the world-class Obuasi mine, and also Greenfield exploration in Ghana, Senegal and Gabon. Exploration in Ghana and Senegal is targeting shear zone hosted gold deposits in the Birimian Greenstone Belts while, in Gabon, GoldStone has first mover advantage in some frontier gold projects in prospective Archaean rocks.

The announcement today provides the final assays results from the reconnaissance drilling at Oyem. A bedrock source for the artisanal workings has been established and the shear zone drilled. Core from nine holes in two drill fences, 400m apart, was assayed and in both drill fences there were two zones which assayed ~5g/t over a 2m interval; thin, but significant intercepts together with other wider intercepts of lower-grade zones.

We maintain our BUY recommendation, targeting a price of 9.7p/share and believe that the exploration potential of the licences still offers significant upside if exploration in the well-defined geochemical and geophysical anomalies is successful. Exploration in Gabon now moves to the Ngoutou anomaly with a more powerful drill and we hope for some more positive news out of Gabon in a few months' time

West Africa is a very prospective region for Greenfield and Brownfield discoveries. Gold production in the region has risen over the past 10 years to an estimated 172t in 2011, and will rise further on commissioning of new mines over the next few years. The geology is prospective, the region is becoming more stable and discoveries continue to be made.

The Oyem anomaly in Gabon has now been drilled in a reconnaissance drill program with the Ngoutou anomaly shortly to be drill tested. At Oyem, the sheared amphibolite sequence was intersected and assay results prove there to be a bedrock source for the gold being worked by artisanal miners in the area. A post-Indaba site visit to Oyem found a very professional set-up and a well-organised exploration program and brought home just how 'frontier' these exploration areas are. The licences are remote but, crucially, are untested geologically and GoldStone has the perfect set-up to make a discovery in this virgin terrain.

In Ghana, GoldStone has a JORC compliant resource of 0.6Moz only a few kilometres from AngloGold Ashanti's Obuasi mine and is investigating several ways of commercialising this resource. In Senegal, GoldStone has demonstrated a gold mineralising system at its Sangola Illicence on the regional fault zone that also hosts RandGold's Massawa deposit to the NE (3.6Moz in resource). Also, in Ghana is the Manso Amenfi permit. Follow-up exploration over soil geochemistry targets will take place in 2013 with trenching and drilling over the better targets.

We maintain our BUY recommendation with a price target of 9.7p/share. It is always difficult to place a valuation on exploration assets alone and we believe this could understate the true potential of GoldStone. We anticipate some progress on commercialising the projects in Ghana and a plan on how to move exploration on in Senegal shortly. In Gabon, GoldStone is moving to the next phase of reconnaissance exploration at Ngoutou; the drill results from this area will be ones to watch.

## GoldStone Properties

*West Africa is an exploration 'Hotspot' not only for gold, but also for other important commodities such as iron ore and bauxite. A lack of infrastructure for the bulk commodities hampers exploitation and development, but this is not the case for gold where mines are easier to bring into production.*

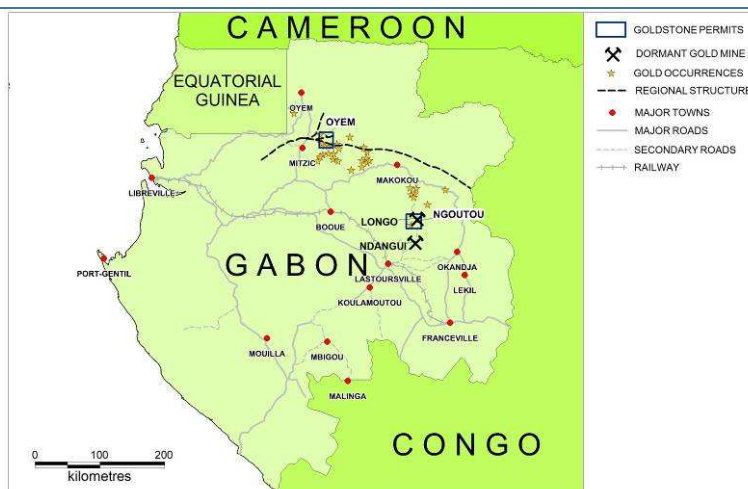
GoldStone operates an exploration program in the prolific Birimian greenstone belts in West Africa in Senegal and Ghana. In Gabon, exploration is being undertaken in geology considered comparable to the Archaean Gold Belts in Tanzania, Canada and Western Australia at a slightly higher metamorphic grade. This program is searching for orogenic lode gold mineralisation associated with shear zones and along contacts between rocks of different competence. Production growth from this type of mineralisation in West Africa has been steady and strong with the region responsible for 6.6% of global gold production in 2011.

## GoldStone Projects in Gabon

Following a post-Indaba site visit to the Oyem project in Gabon, we wish to provide a little bit more background to the GoldStone properties in Gabon. Gabon has recently become an exploration hotspot in its own right, with several companies staking licences in the area operated by GoldStone; Toro Gold, Reservoir Minerals to name but two who have gold licences also in north eastern Gabon.

Managem, a Moroccan company, has also established the first modern gold mine in Gabon in the south of the country. The Bakoudou gold mine was built in 2012 and is being commissioned currently. The mine had a capital cost of \$39million and is capable of producing 45koz gold a year. The company also has an advanced project in Gabon called Eteke which could, if exploration proves successful, be operational in 2014.

**Figure 1: Location of GoldStone licences in Gabon**



Source: GoldStone Resources

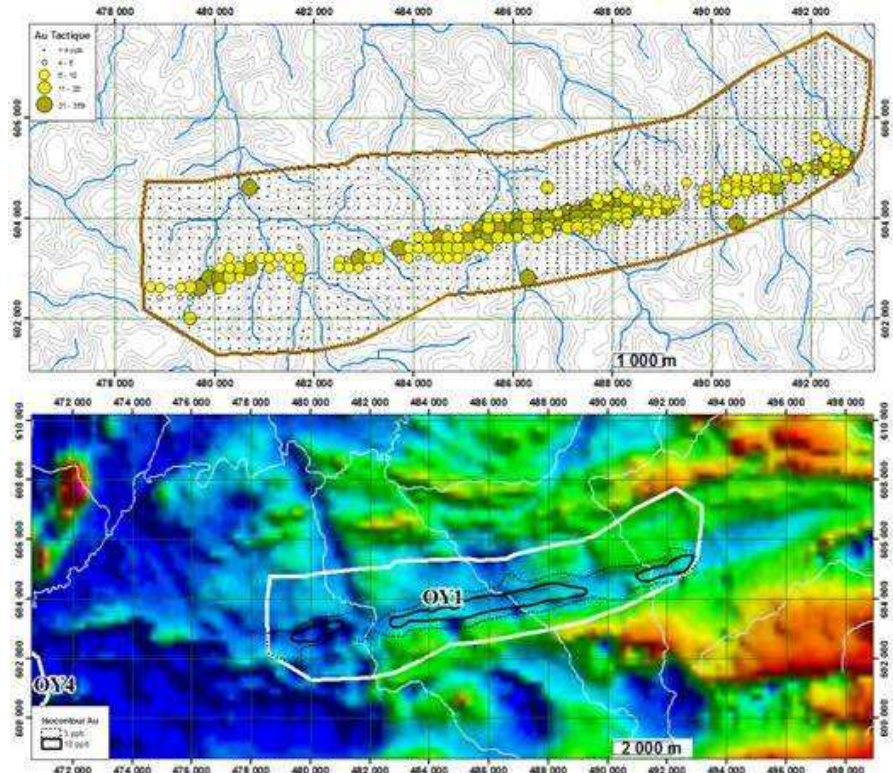
### Oyem

The Oyem permit in northern Gabon is 516 km<sup>2</sup> in size and accessed from the local capital, Mitzic. The permit was granted to GoldStone's 100% owned Gabonese subsidiary GoldStone Resources Limited Gabon S.A.R.L. in April 2011 for a period of three years and can be renewed twice for a period of three years.

The Oyem permit contains a 15 km long, robust and east-west trending gold in soil anomaly (Figure 2). This anomaly was detected when European Union funding paid for the French, South African and Gabonese Geological Surveys to outline the mineral

prospectivity of Gabon. The soil anomaly coincides with a splay off a well-known regional geological structure and covers gold-prospective sheared amphibolite and dioritic gneiss. The gold potential of the area is also highlighted by the presence of artisanal gold miners who work the streams which drain the catchments from the anomalous area (Figure 3).

**Figure 2: The Oyem Anomaly Gabon**



Source: GoldStone Resources

A deep weathered profile means that trenching is of limited use in the area and diamond drilling was chosen as the first-pass exploration method over the soil anomaly. This required GoldStone to mobilise a rig to the country capable of coping with the terrain and thick primary rain forest.

**Figure 2: Artisanal Gold from Oyem (8g gold – one morning's work for 5 men)**



Source: WH Ireland research

Diamond drilling at Oyem was completed in December 2012 during the rainy season and the terrain and weather proved to be difficult obstacles. Further delays in reporting the

assays came about as there were administrative hold-ups in exporting the core to South Africa. Gabon has traditionally been a hydrocarbon producer and explorer and has not been administratively used to mineral exploration. We anticipate that the process of transporting samples will become easier over the coming period especially as there is some talk of sample preparation facilities being set up in the capital, Libreville.

The results of the diamond drilling, the last batch of which was announced today show:

- Thin high-grade gold intersections within a shear zone
- Wider zones of lower-grade mineralisation
- The high-grade gold was intersected in both drill fences which were 400m apart
- Evidence of brittle-ductile deformation in areas of higher-grade gold

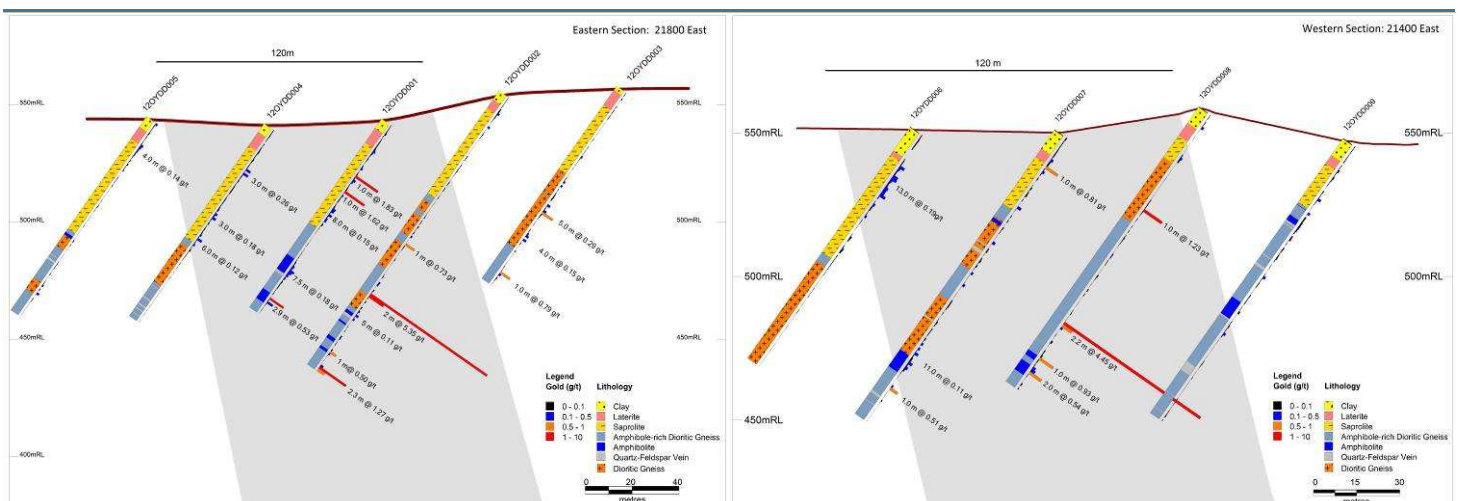
**Figure 3: Core from the high grade intercept in 12OYDD002**



Source: WH Ireland research

The highest grades intersected were 2m grading 5.3g/t gold (1m grading 9.5g/t – Figure 3) and 2.2m grading 4.5g/t gold (1m grading 9.1g/t) in drill fences 1 and 2 respectively (Figure 4). There were other intervals too with elevated levels of gold up to 2.3m grading 1.3g/t – over 25% of the samples assayed greater than 50ppb. Mineralised units often contain brecciated quartz-feldspar veins and minor pyrite and are commonly related to brittle-ductile deformational zones.

**Figure 4: Drill Sections for the two Oyem drill fences 400m apart**



Source: GoldStone Resources

Careful consideration must now be given to the results from Oyem. What is clear, however, is that the limited drill program into the top 100m of the shear intersected thin zones of high-grade gold mineralisation; this is only testing 400m of the 15,000m long soil anomaly. GoldStone is considering targeting the cross structures within the shear which show up on the geophysics and testing to see if these potential dilatational zones had witnessed more hydrothermal activity and if there may be more gold. This theory is reasonable and is definitely worth following-up given the presence of the high-grade intercepts already found.

### **Ngoutou**

The Ngoutou permit in eastern Gabon is 515 km<sup>2</sup> in size. The permit was granted to GoldStone's 100% owned Gabonese subsidiary GoldStone Resources Limited Gabon S.A.R.L. in April 2011 for a period of three years and can be renewed twice for a period of three years.

The Ngoutou permit also has a robust gold in soil anomaly in excess of 15 km long detected during the same EU-sponsored survey as for Oyem. Again, as is the case at Oyem, many of the streams which drain the anomalous area have been targeted by artisanal gold miners and mining of alluvial gold is the principal source of income of the locals living in three villages on the north-western flank of the gold anomaly

The gold anomaly coincides prospective Archean amphibolites and Banded Iron Formations (BIFs). The results of an airborne magnetic survey have shown that the amphibolites and BIFs are marked by a magnetic low and indicate good agreement between the outline of the gold anomaly and the contact between amphibolites and the surrounding rocks. This would point to a model where gold was precipitated from mesothermal solutions at lower crustal levels as a result of neighbouring rock types that differ in competence and chemistry.

Drill rigs have been mobilised from Oyem and a new drill rig imported into Libreville (to cope with the terrain at Ngoutou) and drilling is imminent.

## GoldStone Projects in Ghana

### Homase / Akrokerri

The most advanced GoldStone project is Homase / Akrokerri in Ghana which lies NE of the giant Obuasi deposit, mined by AngloGold Ashanti (Figure 5). This gold deposit contained a total resource (mined and remaining) of over 50Moz and a current mine life remaining up to 2044. The Akrokerri (GoldStone 100%) and Homase (GoldStone 51%, can earn up to 85%) licences have also seen production historically. Between 2002 and 2003, over 40koz of gold were recovered from two open pits at Homase by Ashanti Goldfields and processed through the oxide mill at Obuasi. Homase mineralisation is hosted in a sheared sequence of greywackes within a phyllite unit on a NE-trending structure which trends into the Akrokerri licence. Also at Akrokerri, high-grade quartz veins were worked at the turn of the last century on the edge of a granitic intrusion. Records show that over 75koz of gold was recovered from ore grading in excess of 24g/t. GoldStone is exploring for depth extensions and continuation along strike of the Homase / Akrokerri gold resource. It has also investigated extensions to the quartz veins at Akrokerri on the edge of the granite, but results, whilst confirming the presence of gold-bearing quartz veins near the granite, do not justify an early follow-up in this particular area.

Figure 5: Location of GoldStone licences in Ghana



Source: GoldStone Resources

Figure 6: Resources at Homase / Akrokerri (JORC)

Category	Tonnage (Mt)	Grade (Au g/t)	Contained Gold (koz)
Measured	1.1	2.24	116
Indicated	4.4	1.73	245
<b>Measured &amp; Indicated</b>	<b>6.0</b>	<b>1.87</b>	<b>361</b>
Inferred	4.6	1.64	241
<b>Total</b>	<b>10.6</b>	<b>1.77</b>	<b>602</b>

Source: WH Ireland research / Company data  
 \* Inferred Resource

**Manso Amenfi**

A separate grassroots exploration programme in Ghana is underway in the Manso Amenfi permit (Figure 5) giving GoldStone the right to earn a 25% interest (currently 10%) for the expenditure of US\$0.35m by March 2013. GoldStone has the right to earn 85% by satisfying certain benchmarks and the expenditure of US\$1.8m. This permit lies close to the Ayanfuri deposit (+5Moz Au), Bogosu (+3Moz Au) and the Salman deposit (+2Moz Au) with soil geochemistry defining several gold-in-soil anomalies. Manso Amenfi lies within trucking distance of Golden Star's Bogosu mine.

A soil sampling survey in the north and central part of the licence was completed in 2011 with samples collected every 100m on lines 400m apart. Substantial soil anomalies were discovered, elongated along the same strike as the Salman and Ayanfuri structures which host some regional gold deposits. In-fill soil sampling concluded in late 2012 on the southern areas of the permit and areas for trenching and further follow-up were decided in early 2013.

## GoldStone Projects in Senegal

In Senegal, the grassroots exploration effort is focused on the Sangola permit in the eastern part of the country. The permit lies in the Birimian Kenieba Inlier which outcrops in Mali and Senegal (Figure 7), and is bisected by the southern portion of the Main Transcurrent Shear Zone ('MTZ') which hosts Randgold Resources' Massawa gold deposit (+3Moz) only 45km north-east of the Sangola permit. The inlier is home to deposits with over 30Moz of gold already in eastern Senegal and western Mali and very prospective for further discoveries.

GoldStone's exploration since 2010 has confirmed the presence of the MTZ in the permit area and an extensive geochemical survey, sampling termite mounds, has defined several large and robust gold anomalies at surface (10 ppb to 500 ppb Au). Sample spacing was 400m x 100m and 200m x 50m over the permit area. The geological significance of the surface anomalies is underpinned by related potassium/silver anomalism and coincident structural splays off the MTZ. A 11.4km RAB drilling programme from 418 holes was focussed on the 6km long **Thiabedji anomaly** and began in May 2012, all results were announced by November.

The drill results, confirm an underlying rock source for the Thiabedji anomaly with gold intersected down to 60m. Highlights included an assay of 4.7g/t Au over 9m which included a 3m section grading 11.8g/t Au. The anomalous zone is 5-70m wide and extends along strike for 1200m, and, crucially, is open in all directions. GoldStone could look to extend the drilling along strike and to other nearby anomalies at **Baraboye Tiobo** and **Ibel** in 2013 and also to test depth extensions at Thiabedji with Reverse Circulation (RC) drilling.

Figure 7: Location of GoldStone licences in Senegal



Source: GoldStone Resources



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## Disclosures

### WH Ireland Recommendation Definitions

#### 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

As at the quarter ending 31 December 2012 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	Buy	57	76
Speculative Buy	Speculative Buy	11	15
Outperform	Outperform	2	3
Market Perform	Market Perform	5	6
Underperform	Underperform	0	0
Sell	Sell	0	0
<b>Total</b>	<b>Total</b>	<b>75</b>	<b>100</b>

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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The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer.

\*WH Ireland acts as Broker and Nomad to Goldstone Resources

#WH Ireland makes markets in Goldstone Resources

### Companies Mentioned

Company Name	Recommendation	Price	Price Date/Time
GoldStone Resources	BUY	9.7p	28 February 2012 10:00
GoldStone Resources	BUY	8.5p	25 October 2012 16:30

### Summary of Company Notes

Headline	Date
Initiation of coverage	25 October 2012
Update from Oyam	28 February 2013

### Summary of Security Recommendations

Recommendation	From	To	Analyst*
BUY	25/10/12	Current	CA

\*Current Analyst (CA), Previous Analyst (PA)

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