

Speculative Buy**9p****Goldplat PLC***

Initiation of Coverage

Market Cap	£9.81m
Index	AIM
Shares in Issue	109m
Fully Diluted	114m
Net Cash	£1.22m

Performance	Aim
1 month:	-8%
3 months:	-1%
12 months:	-2%
High/Low	
12 months:	12 – 5



Last Results	Finals Sept 07
Next Results	Interims Feb 08

Reuters/BBG	GDP.L/GDP LN
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Change in Recommendation	N/A
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Goldplat plc has its origins in a private company which had been involved in recovery of precious metals for over 25 years. The current management acquired control in 2000 and established Goldplat as a leader in the business of the extraction of these metals from waste materials resultant from the primary production of precious metal. This generates significant cash flow and performs essential environmental requirements on behalf of the suppliers which do not have the specialist facilities for treatment, recycling and disposal of these products. The Company strategy is to expand the core business in South Africa and replicate the operation in West Africa, where margins are expected to be higher. It is also investigating participation in brownfield primary precious metal exploration and development opportunities.

The Company was admitted to AIM in July 2006, with an IPO equity placement raising £1.5m (20m @ 7.5p). In April 2007, a further £0.5m was raised (5m shares @ 10p).

The main treatment plant, located to the east of Johannesburg, employs proprietary techniques to treat a variety of materials from most major South African primary precious metal producers. The second plant is being commissioned in Ghana, at the free port zone of Tema, strategically located to also draw feed from other countries in West Africa.

Goldplat is seeking to diversify its activities and is evaluating involvement in primary precious metal development ventures. It has recently signed a joint venture agreement to assess targets in Kenya in an area which has been the subject of historic mining activity and current artisanal workings.

Goldplat is in a strong position to expand and develop this specialist business secured on long term contracts with leading suppliers. Economies of scale will be the key to growth. Although the operations are classified as a mine by the South African authorities, Goldplat is basically an industrial metallurgical company. The processes involve proprietary and complex treatment circuits and there is no published detail of individual contracts. Our valuation is therefore simply based on cash flow projections which should show growth. At this stage we cannot ascribe a value to the primary production targets and suggest a fair value to be in the region of £8.72m (8p/share) on a 10% discounted basis. Goldplat can therefore be rated a speculative buy on the basis of the ability of management to develop prospects in Ghana and other west African and the east African ventures.

*WH Ireland acts as nomad and Broker to Goldplat plc. Any research on this company should not be relied on as objective or impartial. This note is intended for institutional investors only and is not for distribution to private clients.

The Company structure chart below shows the three-pronged approach for the proposed business development.

Figure 1: Company Structure



Source: Company data

Allocation of IPO funds :-

GMR acquisition	£0.50m
Ghana plant	£0.45m
London office	£0.30m
AIM listing	£0.30m

Allocation of £0.5m secondary placement will be to evaluate acquisition of new mining ventures, primary gold mining projects, plus working capital.

The equity shareholder split is as follows :-

Founders	5.0m*	4.6%
GMR Vendors	79.0m*	72.5%
AIM IPO	20.0m	18.3%
Sirius	5.0m	4.6%
Total	109.0m	100.0%

*As at the July 2006 IPO, 83.2m shares were subject to 12-month hold plus 12-month orderly market provisions. There are also 3.87m options issued to IPO advisors.

Company Background

Goldplat Recovery was incorporated in South Africa in 1979 as Golden Dumps Research (Pty) Ltd. It has since become a market leader in the area of the extraction of precious metals that are lodged in waste materials resultant from mining and treatment operations. In August 2000, Demetri Manolis (Managing Director) and Ian Visagie (Finance Director) acquired a 60% controlling interest in the Company. In 2002, a corporate re-structuring programme was implemented to expand activities. A gold extraction plant was acquired from Gravelotte Mines Limited in 2002. In January 2006, the 40% balance of the Company was acquired by Demetri Manolis. The assets are in Gold Mineral Resources (GMR)

Goldplat was admitted to AIM in July 2006, with an IPO equity placement raising £1.5m (20m @ 7.5p). The funds were used to acquire GMR, and expand activities through the development of a similar operation in Ghana plus participation in a gold exploration and development joint venture in Kenya. In April 2007, a further £0.5m was raised (5m shares @ 10p) to fund further asset development. The management vendors currently have a 72.5% equity interest in Goldplat.

Customers include most of the major South African mining groups. In addition, an agreement with Rand Refinery, which refines bullion from Goldplat products, provides the right for Goldplat to process any by-products not suitable for its refining process.

The materials handled include woodchips originating from underground mine support and recovered by screening, activated carbon fines from the chemical processing, redundant grease, and mill liners. All of these trap fine precious metal fragments. The safe disposal of these waste products fulfils essential environmental requirements for the operating companies.

The process, together with a re-cycling business, provides Goldplat with a significant income stream. In addition, the company is seeking participation opportunities in advanced exploration and small production precious metal projects for which it could provide expertise and funds to develop and expand potential.

Operating Review

Goldplat Recovery (pty) Limited – Goldplat’s South African Project

The South African operations are located at Benoni, east of Johannesburg, on a 22ha freehold site with rights over a further 12ha, on which a proposed tailings facility can be sited. The plant has a throughput capacity of 5,000tpm and is designed to provide a high degree of flexibility involving multiple process lines to extract precious metals from the different feed materials. Facilities include roasting, crushing, milling, thickening, flotation, leaching, carbon-in-leach, elution, and smelting of bullion. A platinum group metals (PGM) plant was added in 2002. The main feedstock is waste products which accumulate precious metal particles during mining and processing of ores. These include woodchips, slimes (from settlement dams), fine carbon (from activated carbon re-processing), waste grease and worn mill liners. These are purchased from all the major South African primary producers, including an exclusive agreement with AngloGold Ashanti sites in the Vaal River and West Wits areas, and priced on the basis of sample testing. Profit margins depend on individual contracts together with differences in the nature and precious metal content of the feedstock. A stockpile is kept on site to maintain production rates, offsetting possible supply variations. Products are concentrates and gold bullion which are sold to the Rand Refinery. Goldplat collects and treats slag from the Rand Refinery and also benefits from the value of any recycled by-products. Goldplat is classified as a mine by the authorities and the current licence is valid until the end of 2010. Renewal will require Black Economic Empowerment (BEE) objectives, which management intends to exercise as soon as possible.

Table 1: Earnings record

Year to June 30	2005	2006	2007
Precious metals recovered (oz)	17,376	13,400	16,187
Revenue (£m)	3.74	3.84	4.96
Costs (£m)	2.87	3.29	3.66
Margin (%)	23%	14%	26%
PBT (£m)	0.63	0.17	0.75
PAT (£m)	0.41	0.12	0.57

Source Company reports

Gold Recovery Ghana Limited – Goldplat’s Ghana Project

The US\$0.65m processing plant in Ghana is situated on a 4.25 acre site in the free port zone of Tema. It will reach a throughput capacity of 1,500tpm in April 2008. The plant is initially processing fine carbon, mill liners and material amenable to gravity concentration, but further circuits will be added. A contract has already been secured with the leading local producer, AngloGold Ashanti. Initially, activated carbon fines are already being delivered to the Benoni plant. Other products will be sold to the Rand Refinery. Other customers will include Redback Mining, Golden Star and Central African Gold. Costs are expected to be lower than South Africa and process materials should have a higher gold content. This could include tailings and possibly development of small mining operations. The plant is strategically located to target customers from other countries in West Africa.

Kilimapesa Gold - Lolgorien Joint Venture – Goldplat’s Kenyan Project

Goldplat is looking to diversify activities and has a declared target to increase involvement in developing precious metal mining projects. In July 2007, the Company entered into a joint venture with Oslo-listed IGE of Sweden to earn a 50% interest through expenditure of US\$400,000. The JV is to develop the gold potential of ten selected targets covering 14sqkm, within the 213sqkm Lolgorien licence area in the historic producing Migori Archean Greenstone Belt of western Kenya. The structure is a northern continuation of that which hosts the Lake Victoria Goldfields. IGE will provide the mineral rights and transfer all existing plant, equipment and buildings on the licence area. The area has been subject to previous gold mining since the early 1900’s and records suggest nearly one million ounces of gold was recovered in the 1950’s. The neighbouring Macalder mine was in production between 1935 and 1966 and has a 1.24Moz resource.

Targets are both quartz vein and disseminated deposits. The initial exploration programme will consist collation of data, including exploration and development work carried out by the UN in the 1980’s and Anglo American in the late 1990’s, together with sampling of old workings and outcrops. The US\$109,000 evaluation phase work is to be completed in October 2007 and a phase 2 programme is awaited.

Valuation

Due to the nature of the business, which is basically a metallurgical operation, treating various waste products through multiple process lines employing proprietary techniques, there is no published information on supply contracts and detail of operating costs. Our projections are based on financial results to date and the prospect of increasing throughput at both plants, including higher margins in Ghana due to higher grade feed products. In addition, the Ghana profits will be tax exempt for ten years. The impact of the mandatory 26% Black Economic Empowerment participation is difficult to assess accurately as it can vary depending on how it is financed.

The diversification strategy is in its early stages and cannot be ascribed a value at this stage. When detailed information is available we may be able to estimate a value.

A 10% discounted value of our profit estimates based on a US\$650/oz gold price underwrite the current share price, giving a speculative buy rating on the ability of management to add further value to the mainstream activities and successfully develop the diversification proposals.

Table 2: Profit forecast

Year to June 30	2008	2009	2010
Production			
Gold recovered (oz)	19,000	21,000	23,000
Profit and Loss			
Revenue (£m)	6.00	6.82	7.48
Costs (£m)	4.70	5.25	5.75
Profit before tax (£m)	1.00	1.27	1.43
Profit after tax (£m)	0.75	0.87	1.03
Earnings per share (p)	0.69	0.80	0.94

Source: WH Ireland

Management Team

Brian Moritz

Non-executive Chairman

Brian is a chartered accountant and former senior partner of the London office of Grant Thornton. He is on the board of directors of a number of junior mining and exploration companies, the majority of which operate in Africa. At Grant Thornton, he was registered by the London Stock Exchange as a nominated adviser and a qualified executive for companies seeking admission to the AIM Market and as a Listed Company sponsor. Brian is a member of the audit and remuneration committees of the company and is responsible for corporate governance issues and compliance with AIM.

Demetri Manolis

Chief Executive

Demetri is an experienced and qualified mine manager and took over management control of Goldplat Recovery in November 2000. He was born in Cyprus and gained his mining and metallurgy degree in 1981 at the Technical University of Athens. He worked in chrome and bauxite mines in Cyprus and Greece until 1983 when he emigrated to South Africa. From 1989 and 1992, he was General Manager then Managing Director of Consolidated Modderfontein Mines Limited, a JSE listed gold mining company. Between 1992 and 2000, he was managing director of Gravelotte Mines Limited, a privately owned underground gold mining company. Demetri will be responsible for the development of new properties and directing local management during the production process.

Ian Visagie

Finance Director

Ian is a Chartered Accountant who has worked in senior positions in the mining industry since 1990 when he joined Consolidated Modderfontein Mines Limited as financial manager. In 1992, he joined Gravelotte Mines Limited as financial manager, and Goldplat Recovery in March 1997 as Financial Director. With Demetri Manolis, he took over management control of Goldplat Recovery in November 2000. Ian is responsible for the financial and administration affairs of the company and its subsidiaries.

John Woolgar

Non-executive Director

A former stockbroker, John has 35 years' substantial and diverse City experience, principally involving private investors in smaller companies. He raised funds for over 30 companies by way of Official List and Unlisted Securities Market flotations, Business Expansion Scheme and Enterprise Investment Scheme private placings. He conceived the idea of Web Shareshop (Holdings) Plc as a cost-effective method of attracting large numbers of private investors into new issues. John is responsible for the company's professional relationship with advisors, auditors, accountants and public relations.

Dr. Robert Pitts Smith*Technical/Marketing Manager*

Robert has a PhD in Chemical Engineering and a Masters in business administration. He has been active in the precious metals recovery industry since 1979 when he joined Golden Dumps Research Limited. He moved to Gravelotte in 1992 in charge of metallurgical processes. He began working with Demetri Manolis on Goldplat Recovery in 2000 before formally joining the Company in September 2003. He is currently responsible for marketing and technical matters.

Pedro De Souza*Plant Manager*

Pedro has more than 40 years' experience in the operation of gold plants. He joined Goldplat Recovery in September 2003 having worked previously at Consolidated Modderfontein Mines Limited and Gravelotte Mines Limited. He is responsible for the operation of the plant together with his team of assistants.

Sam Du Plessis*Consultant*

Prior to 1992, Sam was assistant government mining engineer (Director - Mining Economics) in the Department of Minerals and Energy in South Africa. Since then, he has been a consultant to various mining groups and has many years' experience in mining legislation, valuation, mining taxation and mining rights. Sam is responsible for the environmental management programme and reports on it annually to the Department of Minerals and Energy.

Mark Austin*Geologist*

Mark Austin graduated with a BSc (Hons) degree from Liverpool University in 1979. He has been working in the mining industry since 1981 in various positions both in Mine Management and Geology. Prior to joining Goldplat, Mark was Gold Division Consulting Geologist for JCI, Senior Generative Geologist for Placer Dome Exploration Africa, and Vice President Operations for Mano River 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 30th September 2007 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage
Buy	18	22%
Speculative Buy	6	7%
Outperform	30	37%
Market Perform	22	27%
Underperform	4	5%
Sell	1	1%
Total	81	100%

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Analyst Certification

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. Furthermore, no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

Companies Mentioned

Goldplat plc

Share Price Date/Time

Company Name	Recommendation	Price	Price Date/Time
Goldplat plc	Speculative Buy	9.0p	09/10/07 15.00

Source: WH Ireland

Summary of Company Notes

N/A

Summary of Security Recommendations

N/A

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

Disclaimer

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