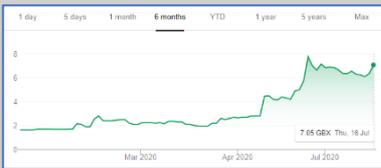




Company Profile

Goldstone is a gold focused exploration and development company, bringing the Akrokeri and Homase pits, located in Western Ghana into production.



www.goldstoneresources.com

Stock Data

Listing	LON
52-week range	7.15(1.50-8.12)
Market Cap	£18m
No. Shares	251.75m

Major Share Holders

Paracale Gold Ltd	28%
BCM Investments Ltd	20%
Fiske Nominees	7%
Pershing Nominees Ltd	5%
Interactive Investor	4%
Pershing Nominees Ltd	4%
SVS Limited	3.6%
Chase Nominees Ltd	3%

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GoldStone Resources Ltd. Plc. (AIM: GRL)

Goldstone is a gold exploration and development company, focused on bringing the historic mines, Akrokeri and Homase, into production. Having obtained a US\$3m secured loan and US\$1.3 in bond notes, Goldstone are in the process of moving into phase one. This consists of low cost (US\$651/oz) heap-leach processing of the tailings and oxide zones of the orebody, to produce a gold-in-carbon concentrate. With free-cashflow and exploration along strike and to depth, the company is set to evolve into a mid-tier producer in a unique manner.

Key Points

- Near term, development funded asset with production expected later in 2020.
- Post-tax NPV₁₀ \$24.3m and IRR 275% at a gold price of \$1500/oz.
- Production cashflow to help fund substantial exploration upside, which is de-risked with historic drilling along the prolific Ashanti gold belt.
- Infill RC drilling programme with the objective to increase the mineable resource at depth at the Homase South Pit.

Opportunity

Goldstone Resources is a near to production project with a low-capex hurdle of \$3m to get into cash flow. Despite not obtaining an initial target of \$7m, the team have been able to modify the flow sheet to produce a gold-in-carbon concentrate, rather than the premium dore gold bars. The team have been able to create a highly profitable operation, with a post-tax IRR of 204% over a 5year LOM. Through free-cashflow, the project will be able to grow organically, continuing exploration step out drilling and refining the hard-rock resource, moving the company towards mid-tier scales of production.

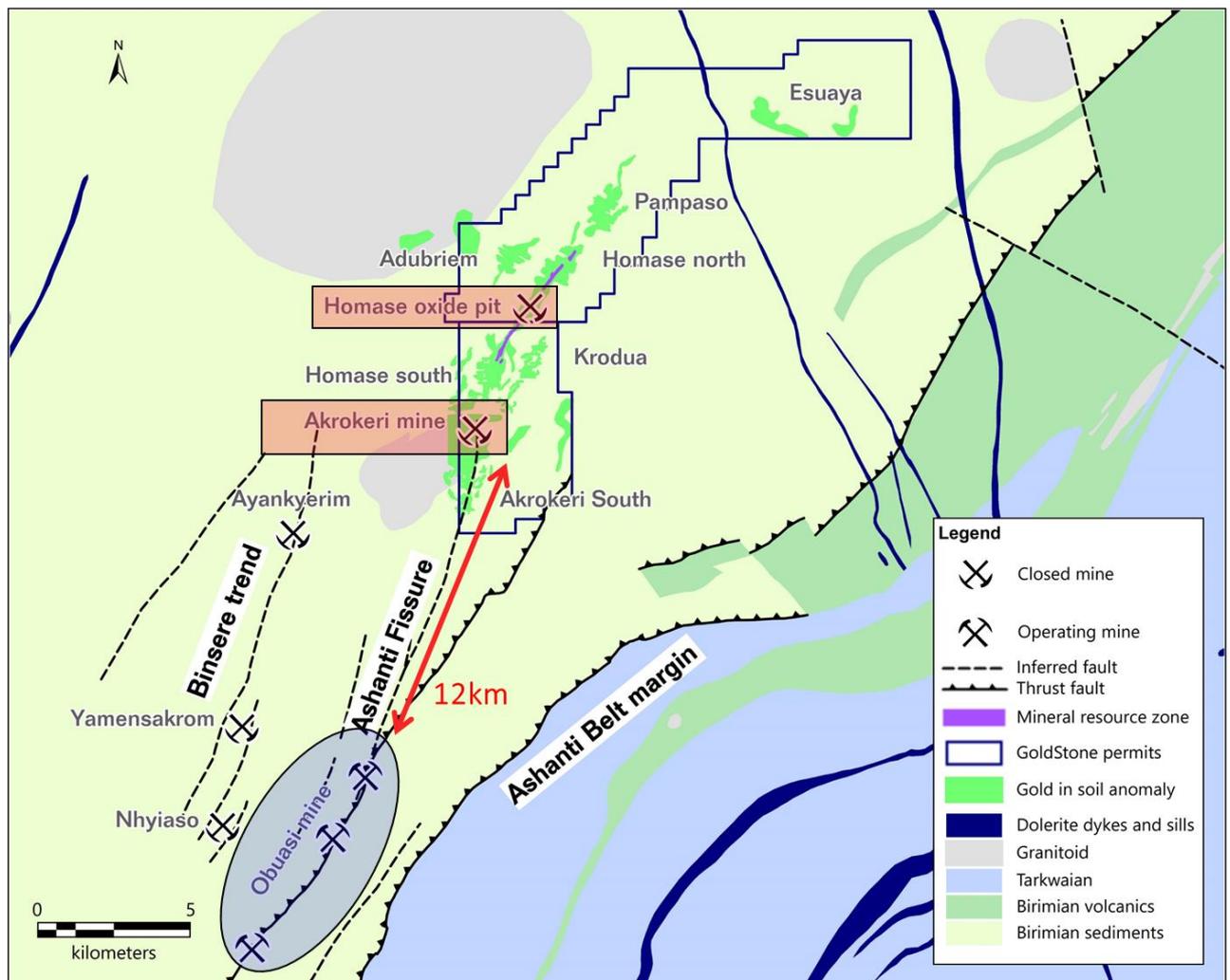
The historical underground Akrokeri mine and Homase pit are both technically de-risked as an exploration play, being that both are historical operations, with production records of mined tonnages and head grades as well as historic drilling of 5,200m of DD and 24,807m of RC. Goldstone have built upon the 14,000m of RC and DD step out drilling, and 3,946m of infill drilling for the resource and pit definition.

With the focus on moving the company into production, the exploration upside has been somewhat overlooked. Located along Ghana’s Ashanti Gold Belt, one of the

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most famous gold belts and host to many of the world's largest gold deposits, including the Obuasi Mine of 34.05 Moz @ 7.30 g/t Gold (2017). Goldstones projects are located 12km, to the north-east and along strike from this monster deposit, with distinct synergies between the orebody's morphological characteristics, despite the size difference.

A key factor to bringing an asset into production is the proximity to key operational infrastructure. Goldstone's assets are located 11km from HV grid power, 1km from sealed road and own their own stable water source. Such facilities significantly reduce the capex requirements as well as time to production.



Map of the Goldstone property with the two projects Homase and Arkokeri, with the Obuasi Mine located 12km to the south-west, along strike. Both the Homase and Arkokeri projects are open at depth and along strike, with additional structures to test across the property.

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Assets

Homase Pit (100%)

Having converted the local partners 10% ownership to a 2% NSR, Goldstone now hold 100% interest in the project. Historically mined by AngloGold Ashanti as two open pit operations, that later merged into one, reportedly producing 52,500oz @ 2.5g/t gold down to a depth of 60m. The Goldstone team hold a JORC resource over the project of 602,000oz, produced from previous drilling defined in 2012 down to 200m. The resource is modelled down to a depth of 2500m, though still open at depth and along strike. Additional drilling completed in 2016-17 by Goldstone has yet to be included in the resource (3 holes 250m).

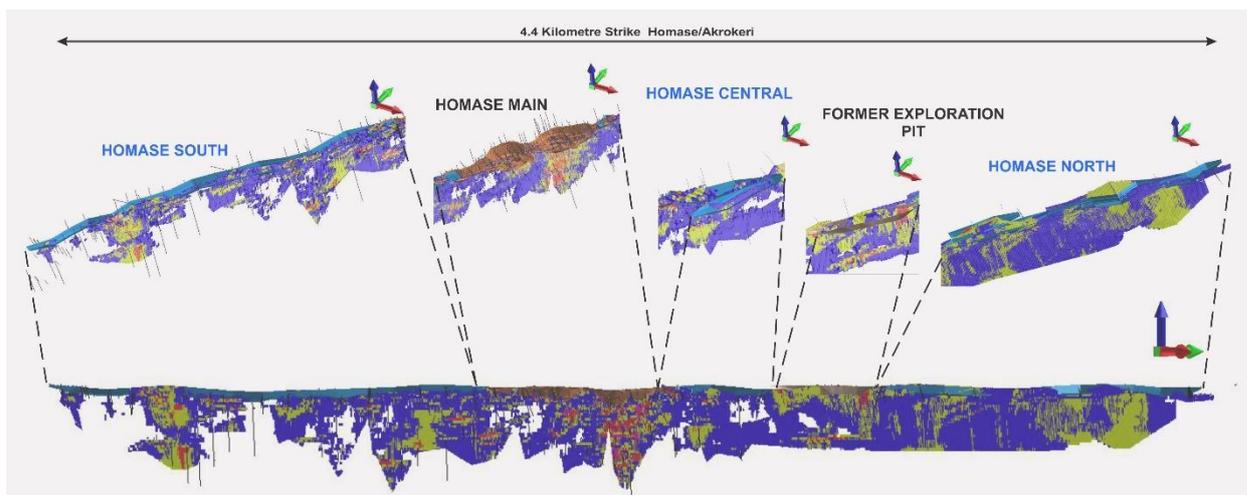
Resource:

- **Total of 602,000oz @ 1.77g/t Au (Measured 116,000oz @ 2.24g/t)**

Notable Drill Intercepts at Homase Main:

- **13m @ 10.92g/t Au (inc. 10m @ 24g/t)**
- **10.48 @ 7.44g/t Au**
- **31m @ 2.17g/t**

The Goldstone team have produced a 3-pit design over 4.4km of strike, within 8km of mineralised strike. To bring the project into production, a heap leach plant has been designed, and the team are poised to move into construction with a pending environmental licence from the Ghana authorities. This will process 82,000oz of free digging oxide ore at 1.2g/t and 6,500oz of re-processing tailings at 2.27g/t gold. With an average production of 14,400oz/yr for a total of 72,000oz of gold, in the form of gold-in-carbon concentrate. Additionally, an infill RC drilling programme with the objective to increase the mineable resource at depth (down to 60m vertically) at the Homase South Pit will be conducted shortly.



Cross section of the Homase project over the 4.4km of strike. Homase Main and the Exploration Pit were historically mined by AngloGold Ashanti in 2002-03. With additional drilling, goldstone have produced a JORC resource and designed an additional three pits: Homase South, Central and North.

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Akrokeri Mine (100%)

Following water ingress issues, the underground operation was closed in 1909. During the 5 years the operation was active, 75,000oz of gold was extracted at a recovered gold grade of 24g/t (not accounting for recovery loss), with the operation working down to 800ft (244m). The team intend to complete an underground exploration program, through refurbishing two historic shafts. These were sunk to 27m and 33m and will allow the Goldstone team access to the underground workings.

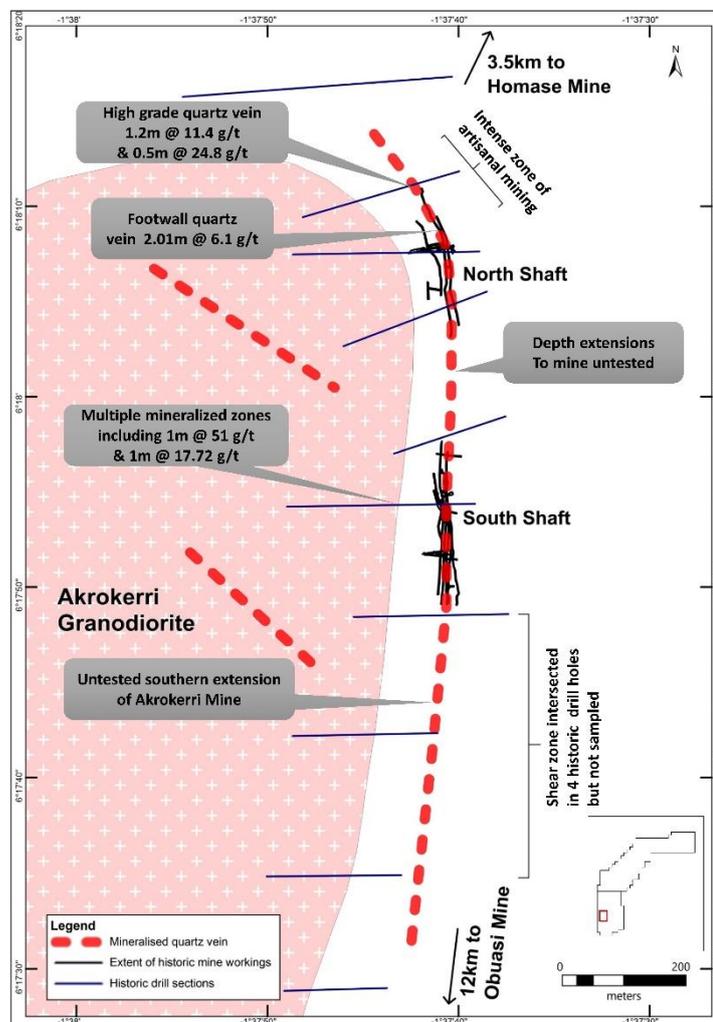
Notable drill intercepts:

1.2m @ 11.4g/t Au

2m @ 6.1g/t Au

1m @ 51g/t Au

Exploration is expected to test along strike of the Akrokeri Fissure to the North, South and to depth. The team also hold data on four historic holes, located to the south of the mine and showing that the shear zone extension is still open. The team are looking to expand on this work with further exploration activities.



Overview of the Akrokeri project showing the location of the North and Norton shaft with historic underground mine workings, with exploration petechial.

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Loan Agreement

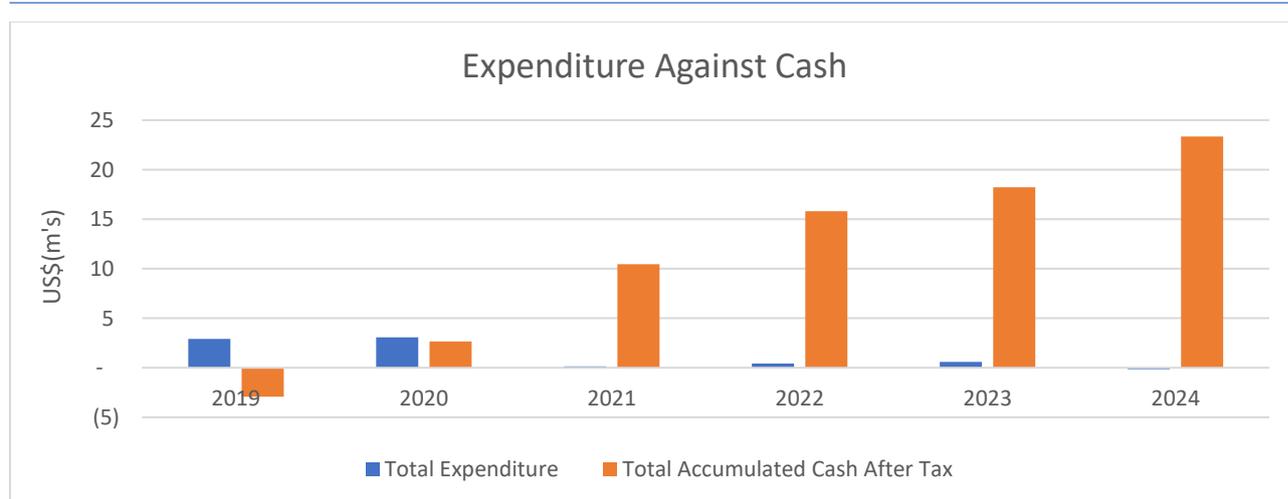
Goldstone have obtained a 14% secured loan with Asian Investment Management Services Ltd. for US\$3m. The loan has secured over 2,000 oz of gold at a price of US\$1,500/oz, equating to the US\$3m. Currently, \$0.3m of this loan has already been drawn down, with an additional tranche drawdown of \$750,000 having been requested.

In addition, Goldstone acquired US\$1.3m through an unsecured bond note of 14%. Both the Loan and Bond note will allow the project to move into production for Q4, 2020, despite restrictions and holdups encountered from the Covid pandemic.

Financials

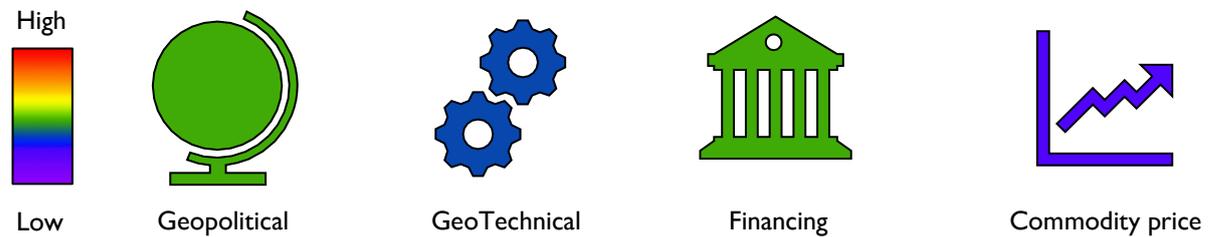
Goldstone have pulled back expenditures from their previous projection from \$6.9m to \$3m upfront capital requirements. This enabled the team to get into production with a much lower hurdle rate to become cash generative, however, in doing so they have adjusted to a lower value end product. To give this more clarity, the team are continuing with the initial operation plan up to gold-in-carbon concentrate, which can be sold onto nearby producers or on the international market though at a discount to gold price. The team will develop the project through cashflow, building the gold room required to produce the premium Gold doré bars.

The project will have a total capital requirement of US\$11m (including 10% contingency), with an initial upfront capital requirement of US\$3m, now covered by the current debt facility and issued bond notes. With cashflow planned for later in 2020, additional cash requirements will be payed out of production. Goldstone have an additional option of obtaining capital, through tightly held outstanding warrants. This additional capital of US\$5.6m could in fact pay off the bond, as well as giving the company additional headroom. The warrants are broken down as 172m @ 3p and 43.4m @ 1.2p and have an expiration date of 22/02/22.



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Analyst Risk Profile Opinion



Analyst Risk Profile: A schematic of risk exposure any investor should consider regarding the company. Based on the authors opinion incorporating company comparisons, experience and data available at time of writing.

Risks

The major risk to Goldstone is getting into production on time and on budget. Having pulled back the initial capital requirements, producing a lower value gold-in-carbon concentrate, the team will want to get into cashflow as soon as possible to build the additional infrastructure requirements for dore gold production. Factors that could cause delays include additional pandemic holdups, technical-logistical challenges, and the granting of environmental permits from the government.

Though Ghana is a West African nation, with associated bureaucratic and logistical challenges, it should be noted that Ghana is in fact one of the most developed nations in the region, with a stable and supportive government and experience mining work force.

Another challenge for the team will be to secure a favourable offtake agreement of the gold-in-carbon concentrate. Naturally there will be a number of local producers who would be suitable consumers, in addition to the international market, however the discount to gold price will need to be negotiated.

Investment Synopsis

Goldstone Resources is made up of a highly experienced and competent team who have a proven track record of developing projects through exploration and into production. With the critical addition of experience in West Africa we see the team getting the project into production on time and on budget.

With the challenges of fundraising, pre-covid gold price boom, Goldstone have sacrificed some of the upside to secure production. However, with the near-term cashflow, and highly de-risked, prospective exploration upside, Goldstone hold a unique opportunity to grow into a meaningful mid-tier producer in the medium to near future.

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