



## ASX Release

26 November 2007

### CONSTRUCTION COMMENCES ON THE SMOKEY HILLS PROJECT

Platinum Australia Limited (ASX: PLA) (AIM: PLAA) is pleased to announce that construction activities have commenced on site at the Smokey Hills Project less than two weeks after the Mining Right was issued for the Project.

The Engineering Procurement & Construction Manager ("EPCM") contractor, GRD Minproc and the earthworks contractor, Protech Khuthele (Pty) Ltd mobilised to site on Monday 19<sup>th</sup> November and work on the roads and site earthworks commenced the following day. With civil works due to commence in early December and open pit mining due to commence in January 2008 the project is on schedule for plant commissioning to begin in June 2008.

It is anticipated that the Smokey Hills Project will achieve a production of 90,000 oz 4E PGM in 2008/9 and full production of 95,000 oz 4E PGM per annum the following year.

PLA Managing Director John Lewins said: "This marks yet another major step for PLA in moving from successful explorer to mid tier producer. The benefits of PLA having committed to the project at a very early stage through the ordering of long lead items and the awarding of the EPCM contract to allow detailed design to commence can now be clearly seen. The plant is on scheduled to commence commissioning in June 2008, had we waited for the Mining Right to be issued prior to making these commitments, we would be looking at March 2009 as the commissioning date."

"As I have previously noted, the next eight months through to June 2008 will be the most exciting period in the life of our Company as we move into production at Smokey Hills, complete the Bankable Feasibility Study on our larger Kalplats Project (PLA earning 49% from ARMplatinum) and complete an updated feasibility study on our Panton Project in Australia."

### Smokey Hills PGM Project

The Smokey Hills PGM Project is located on the eastern limb of the Bushveld Complex in the Limpopo Province, 300 kilometres north of Johannesburg.

PLA commenced a resource definition drilling program on the project in July 2005 and a Bankable Feasibility Study with GRD Minproc as the Lead Engineer in October 2005. The results of the BFS showed the project to be extremely attractive and very robust and able to generate returns of over 70% on the Base Case assumptions and in excess of 600% using July 2006 metal prices and exchange rates. The Base Case metal price assumptions were platinum at US\$900/oz, palladium at US\$300/oz, rhodium at US\$1,500/oz and gold at US\$450/oz giving a basket price of US\$677/oz 4E PGM. The current basket price is more than double this at over US\$1,400/oz 4E PGM.

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The Company plans to commence operations at Smokey Hills initially as an open cut, progressing to a shallow underground mine. The treatment of ore through the on site treatment plant is scheduled to commence less than nine months after on site construction activities commence and less than six months after mining commences. This is possible due to the Company committing to the ordering of long lead items in early 2007 and commencing detailed design with the awarding of the EPCM contract for the plant to GRD Minproc in June of this year.

The plant has a design capacity of 720,000 tonnes per annum and will produce approximately 95,000 ozs 4E PGM (Platinum + Palladium + Rhodium + Gold) in a flotation concentrate. This will be toll treated or sold to any one of a number of smelters in South Africa, the nearest of which is less than 100 kilometres distant.

PLA signed a formal Sale Agreement with Smokey Hills Platinum (Pty) Ltd ("SHP") to acquire up to 80% of the Project through the staged acquisition of 100% of SHP in 2004. PLA acquired an initial 74% interest in SHP by providing \$3.4 million for SHP to fund the purchase of an 80% interest in the Project. The balance of 26% in SHP was acquired for 15 million fully paid shares in PLA. The balance of the Project is held 5% by the local community and 15% by Corridor Mining Resources, a company owned by the Limpopo Provincial Government.

PLA will sell down its interest to 59% to introduce a further BEE component to the project on the basis of the value of the Project established by the Bankable Feasibility Study. However due to the nature of the transaction where PLA provides vendor financing, it is expected it will retain approximately 75% of cash flow over the life of the Project.

The capital cost of the project was estimated in the BFS in July 2006 to be US\$40m and this plus an overrun facility gives a total cost of up to US\$49 million which is fully-covered, with Standard Bank of South Africa providing up to approximately US\$40m of debt funding, and the equity component being easily covered by PLA's current cash resources of around A\$25m.



**JOHN D LEWINS**  
**Managing Director**

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#### **Glossary**

4E PGM - Platinum + Palladium + Rhodium + Gold  
UG2 Reef – Upper Group 2 Reef

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