

## This Week

### 2005 - Year in Review

This year saw an increasing number of junior exploration companies aiming to make their fortunes across the Pacific in the USA...

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### First Australian Resources Action Plan (FAR)

FAR has embarked on an active drilling programme over the coming 4-6 months which will see it participate in the drilling of up to 5 wells in the USA...

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### Platinum Australia Moves Toward Production (PLA)

After a long gestation period, Platinum Australian Limited (PLA) has positioned itself for growth by low cost production of Platinum Group Metals...

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### Enterprise Energy NL – Time for the Drill Bit to Talk!

Oil & gas micro company Enterprise Energy, has funded an 8 well programme, starting in PEL-106 with Rossco and Udacha...

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### PEL-182 Makes a Start

Partners in Cooper Basin permit, PEL-182 have commenced work, borrowing a rig from Stuart to drill the 2,320 metre, Emily prospect...

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### Dog Watch

Integrated Tree Cropping Ltd, Mirvac, Mirabela Nickel and Tap Oil

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## Platinum Australia Moves Toward Production (PLA)

After a long gestation period, during which management carefully developed relationships in South Africa, Platinum Australian Limited (PLA) has positioned itself for growth by low cost production of Platinum Group Metals (PGMs).

The company is well advanced on a small, 80% owned project at Smokey Hills, on the eastern limb of South Africa's Bushveld Complex, where production of 90Koz pa over a 7 year project life could commence by H2 2006 with direct sale of ore to a nearby mill. The company has completed a \$5m drilling programme to precisely outline its resource. Final numbers, expected by February 2006, should show a minable resource of around 4.8mt with a diluted, mined grade of ~5.5g/t 4E PGMs. Once a Black Empowerment partner is found, PLA will reduce its equity to about 64% of this project. Meanwhile, PLA is talking to a neighbouring mine about an expanded JV, encompassing ore reserves on its border.

At its Kalahari project on the border with Namibia, PLA is earning a 49% interest by completing a bankable feasibility study. The deposits are presently known to contain a high grade core of 12mt grading 3.6g/t 3E PGM to 150m depth, containing 1.4moz of PGM, which could be mined by open pit. Drilling during Q1 2007 is set to expand and upgrade resources, aiming for +10 year open pit project, producing +185Koz pa of PGMs from treatment of 2mt pa, with potential for underground mining to follow.

PLA has recently negotiated for Sally Malay Mining to undertake a study into the economics of treating ore from its 100% owned Panton project at SMY's processing plant. Panton holds high grade reserves of 10.1mt grading 6.13g/t 4E PGM and StockAnalysis estimates that Panton ore has a recovered and saleable value of about A\$100/t.

| Capital Structure |                     | Reserves   | Koz PGM     |
|-------------------|---------------------|------------|-------------|
| ASX Code          | PLA                 | Panton     | 2390        |
| Shares            | 155 m.              | Smokey     | 508         |
|                   | 15 for Smokey Hills | Kalplats   | 641         |
| Options           | 5.8 11/06 @20 cts   |            | <u>3538</u> |
|                   | 5.0 12/09 @35 cts   | Mkt Cap/oz | \$ 15       |
|                   | 2.5 12/09 @20 cts   |            |             |
| Price             | \$ 0.32             |            |             |
| Market Cap        | \$ 54 m.            |            |             |
| Cash              | \$ 8.0 m.           |            |             |

PLA is trading with an undemanding, A\$15 of market cap per oz of attributable PGM resource

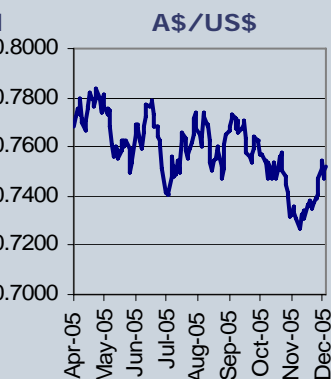
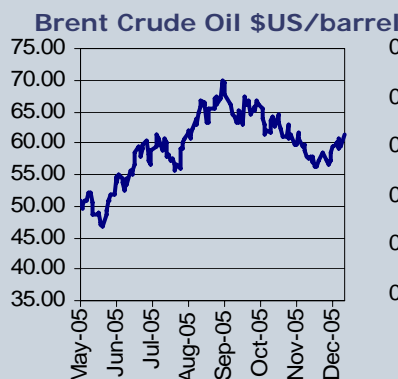
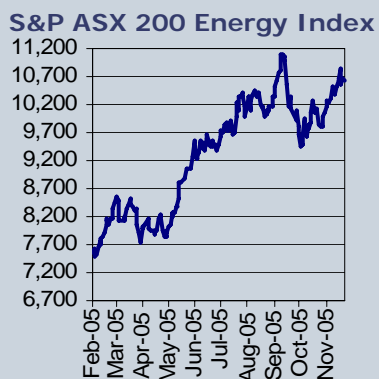
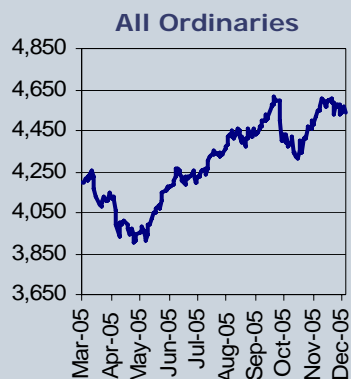
StockAnalysis has modelled a possible future production profile of PGM's which is illustrated graphically on the following page.

On a fully diluted basis, after applying base case metal price estimates of US\$850/oz Pt, US\$280/oz Pd and US\$2,200/oz Rh and US\$500/oz Au, PLA is estimated to have a speculative value of 65 cps. Applying recent high metal prices to this model produces a target valuation of \$1/share.

These valuations are derived by assuming the most modest of current reserve estimates with no expansion of the known reserves and after applying a 15% pa discount rate to free cash flow. I believe that these valuations hold potential for expansion, once risks are reduced by financial certainty and the results of exploration work are known in mid 2006.

(Continued on page 2)

| Indices & Prices          |           |
|---------------------------|-----------|
| All Ordinaries            | 4,538.70  |
| Energy Index              | 10,614.40 |
| Brent US\$/bbl            | 61.31     |
| AUS\$/US\$                | 0.7521    |
| As at Close December 13th |           |

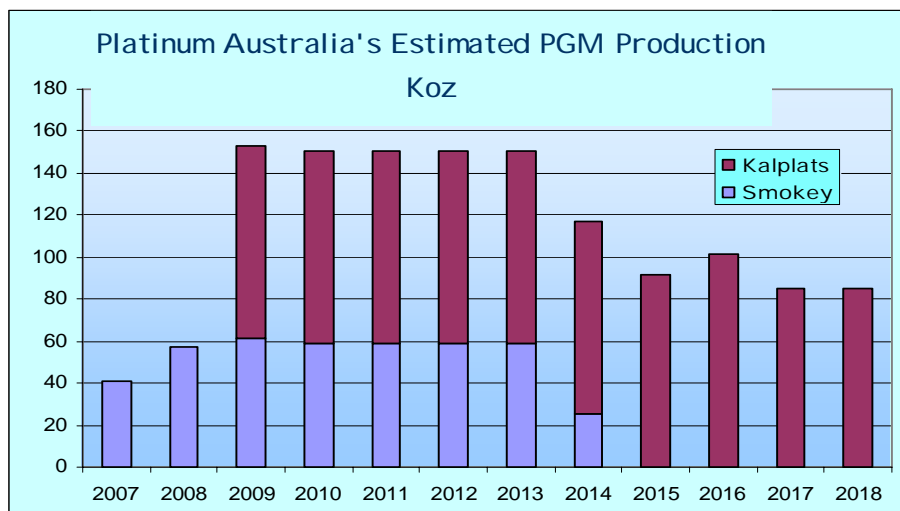




## Platinum Australia

|                     |       |
|---------------------|-------|
| ASX Code            | PLA   |
| Current Price       | 0.31  |
| Number Shares (mil) | 155.0 |
| Market Cap (mil)    | 48.05 |

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Source: Strachan Corp. Pty Ltd.

## SWOT Analysis

### Strengths

**SMALL & NIMBLE:** PLA brings an Australian, small company approach to projects which may have been overlooked or over engineered by the large South African miners. PLA presents a small target for unions and BEE groups who may otherwise seek more stringent terms.

**EXISTING BEE RELATIONSHIP:** PLA already has a BEE partner at Kalplats.

**VOLATILE CURRENCY:** The ZAR tends to move counter to commodity prices, providing a natural hedge for local miners and buffering the ZAR price received.

### Opportunities

**EXPLORATION:** PLA has identified significant potential to expand resources at Kalplats.

**APPLICATION OF PANTON PROCESS:** to improve PGM recovery or leverage into new projects.

**JOINT VENTURES:** PLA has the opportunity to negotiate a favourable JV with its neighbour which would expand its mining scope while at the same time bringing in a suitable BEE partner.

### Weaknesses

**SMALL COMPANY:** Finance can be difficult to secure for smaller companies.

**NO HISTORY OF OPERATION:** While management has a track record of project development and operation, the company is still relatively unknown in the market.

**SHORT MINE LIFE:** Smokey Hills has only a 7 year project life.

### Threats

**COSTS:** South African miners are seeking to lift wages at a rate above inflation.

**HIV:** Ongoing costs and trauma associated with South Africa's HIV epidemic pose operating challenges for PLA.

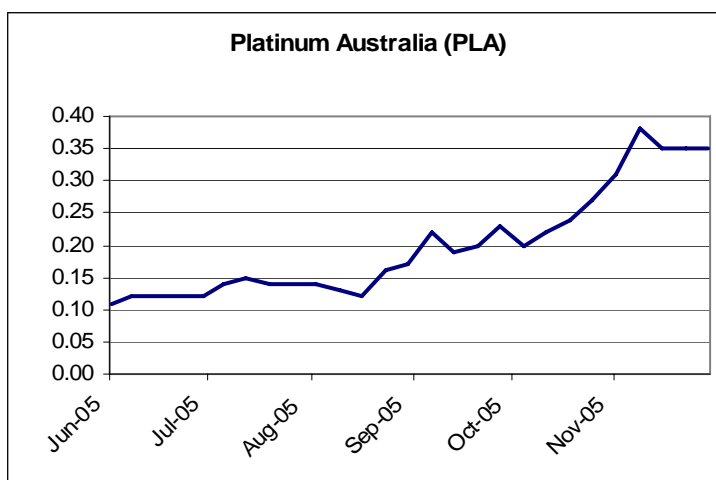
**GOVERNMENT LEGISLATION:** South Africa's unusual BEE legislation could be amended in the future with negative implications for foreign miners.

**POLITICAL RISK:** Investment in South Africa represents a significant political risk.

### PLA Valuation

| Summary Value       | Base Case \$m. | Recent PGM Price \$m. |
|---------------------|----------------|-----------------------|
| Smokey Hills        | \$70           | \$106                 |
| Kalplats            | \$28           | \$47                  |
| Panton              | \$15           | \$25                  |
| Option cash         | \$3            | \$3                   |
| Cash less Corporate | \$2            | \$2                   |
| <b>Total</b>        | <b>\$118</b>   | <b>\$183</b>          |
| <br>                |                |                       |
| \$/share            | \$0.65         | \$1.00                |

Source: Strachan Corp. Pty Ltd.



### *Recommendation*

Platinum Australia looks set to retreat from recent highs, consolidating around 30-33 cents, but has stronger support at 24-25 cents should this support be breached. The stock is recommended as a **speculative buy below 35 cents** with a price target of 65 cps by August 2006.

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