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PLATINUM AUSTRALIA LTD : METALLURGICAL BREAKTHROUGH MAY UPGRADE PANTON PGM PROJECT

By Warwick Grigor*

Concentrate Transport Costs Overcome?

Though it is not yet guaranteed, PLA thinks it may have achieved a metallurgical breakthrough that will effectively overcome the biggest obstacle to an economic development – the distance from smelters. Under conventional techniques PLA faces the hurdle of shipping concentrates all the way to South Africa. With shipping costs of \$8 pt, and large amounts of working capital required to fund product prior to final receipts from the smelters, this breakthrough could have a significant impact on the viability of the project.

PLA Could Sell Directly to Refineries

Under this new process, the intention would be to produce a saleable concentrate running at >50% PGM. Refineries could purchase direct from PLA, thereby circumventing the smelting stage. Not only would there be transport savings, but PLA would probably receive at least a 10% increase in the payment for the metals contained in the concentrates.

Metallurgy Simplified

Without getting too technical, the process involves flotation to achieve a rough concentrate that would give a 90% recovery of metals. This would then be treated by a low temperature fluid bed roaster to produce a calcine concentrate which would contain PGMs that have been separated from the original sperrylite mineral, and these PGMs could then be dissolved by an alkaline leach solution with a 90% efficiency rating. The

metals would then be precipitated out of solution into a >50% concentrate for sale to refineries. The associated nickel and copper would be removed in a separate concentrate that would be sold to a smelter.

From a 1 mill. tpa throughput, PLA could reduce that tonnage to be transported to market to a mere 3,000 t of concentrates. (The conventional route would generate 40,000 tonnes).

Patents and Commercial Scale Proof Pending

The market is understandably cautious of new technologies, but PLA emphasis that there is nothing new about the elements of the process; just the configuration. It all works successfully elsewhere so there shouldn't be a problem (but isn't that what we were told about the Murrin Murrin process before it was commissioned?) To be fair though, there is no way that the PLA process can be likened to the complexities of Murrin Murrin. Sensibly, PLA won't be committing to a commercial scale until it has been proven in a pilot plant; so shareholders shouldn't be worried about being treated as guinea pigs.

Resource Upgraded by 33%

The latest upgrade of resources has increased the metals inventory to 4.5 mill. oz 6PGE+Au. One should note that this is not all mineable at current metal prices as 1.9 mill oz of this is located in 58.9 mt of low grade dunite ore averaging 1 gpt. There had previously been conjecture that this might be economic but the recent work

has delivered sufficient higher grade tonnages that it has not been necessary to incorporate the dunite in a bulk tonnage scenario. Instead, PLA is considering a 1 mtpa capacity starting with the 5.8 gpt ore. Initially there will be a pit to 60-80m depth with underground ore becoming important in year two. Mining dilution and development ore will probably see the head grade to the mill dipping below 5 gpt, but as the dunite surrounds the higher grade ore the diluting material will still carry modest grade.

Long Life Envisaged

Lower grade Middle Reef ore (3.4 gpt) will be available later in the life of the project but this is not considered essential in any development decision today. Exploration potential elsewhere on the leases and at depth is considered sound, so there is probably no reason why the mine life could not extend well beyond 10 years.

Sizeable Capital Expenditure Required

Numbers have not yet been finalised but it is expected that initial capital costs could be in the order of \$80-\$100m. A sizeable component of this will be for the underground development costs.

Completion of the bankable feasibility study and final development plans will not be available until September 2002. If funding is sorted out in a timely fashion the first ore could be treated a year later.

Lonmin Standing Behind the Company

Investors should not be intimidated by any capex numbers as Lonmin is a substantial shareholder in PLA and will no doubt be of assistance in funding and development plans. It is difficult to imagine that Lonmin would have invested \$12m into PLA without having a high degree of confidence. It retains an option to invest a further \$40m that would increase its equity to 55% fully diluted.

Once again, with the market capitalisation of PLA only \$30m, it is observed that Australian investors don't know how to assess PGM companies. Certainly to the company's knowledge, there haven't been any analysts guilty of doing serious research on the Company.

Warwick Grigor is a director of Far East Capital and a consulting analyst. He and his associates have no material interests in the securities of Platinum Australia Ltd. This report provides information of a general nature and it does not contain a recommendation, express or implied, to deal in the securities mentioned herein

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