

## Platina Resources Ltd – Commentary on Exploration Results – 21/7/11

### Owendale Platinum Project Could Be a Profitable Platinum Mine in NSW

#### Event

Platina Resources Ltd (PGM) announced drill results from a further 24 drill holes at the Owendale platinum exploration project in NSW, on 4 July 2011, bringing the total to 31 holes received.

The better holes reported were;

Hole FKD11-110	7m at 1.5 gpt Pt, from 36m
Hole FKD11-114	1m at 11.4 gpt Pt from 49m
Hole FKD11-117	15m at 1.5 gpt Pt from 16m
Hole FKD11-189	10m at 1.2 gpt Pt from 3m
Hole FKD11-194	4m at 4.0 gpt Pt from 8m
Hole FKD11-196	13m at 2.4 gpt Pt from 15m

#### Comments

A few years ago we might have described 1.5 gpt as low grade, but given the rise in the platinum price to U\$1,750/oz, anything between 1 and 1.5 gpt should now be seen as good grade, particularly given that we are looking at very soft, shallow ore and not deep underground orebodies that are typical in South Africa.

Platinum is not a commodity on the radar screen of many investors at present, notwithstanding the long-term uptrend of the metal. Perhaps this is because there are so few platinum vehicles in the market and Platinum Australia has struggled. There is potential for strong share performance if a new, credible platinum story was to emerge. Platina Resources could be that company, with a low costs mining opportunity in NSW.

If further results confirm the ones received to date, and the metallurgical test work is positive, PGM could be on the fast track to a low capex platinum mine. Whilst modest in size, our numbers show it could generate cash flow of \$28m p.a., which approximates the current market capitalisation. This could be an excellent interim development for the Company while it evaluates and plans the best way forward for the Skaergaard deposit which hosts 10.3 Moz of gold, 29.6 Moz of palladium and 2 Moz of platinum. The shares are priced at option levels.

Valuation of Owendale: \$80m or 67¢ per share (NPV, 7% DR, BGF assumptions)

**SPECULATIVE BUY. Short Term Target 45¢**

#### Background and Comments

- Owendale (100% PGM) covers poly-metallic lateritic style mineralisation overlaying platinum/copper mineralisation in the underlying fresh rock.
- The lateritic mineralisation includes platinum, scandium, nickel and cobalt.
- There are analogies between Owendale and the source of alluvial platinum production in Columbia, where records show production of 3.4 Moz from 1778 to 1965.
- The current drill program, which commenced in March, is designed to facilitate the maiden platinum resource and provide bulk samples for metallurgical test work. Holes rarely go deeper than 50m. A total of 4,591m of RC and 214m of DD have been completed.
- Results for 30% of the program have been received. They show a laterite profile between 10 to 50m vertical depth with continuous mineralisation persisting between 10 to 15m of true thickness in the majority of the holes drilled.

**Further News Flow**

- Additional drill results from Owendale are expected within the next 2-3 weeks.
- A JORC resource will be completed upon receipt of assays.
- After the analysis of this round of drilling PGM expects to use a Caldwell rig with a 1m hole diameter to recover bulk samples and conduct metallurgical test work.
- Drilling is continuing at the Skaergaard gold/palladium project in Greenland. The JORC Inferred resource is already up to 29.6 Moz of palladium, 10.3 Moz of gold and 2 Moz of platinum.

**Cash Position**

PGM currently has approximately \$7.8m. No fund raising is expected before Q4 2011, by which time there will be significant news flow to the market.

**Potential Mining Parameters**

Although there has not been a JORC resource released, we can speculate that the area being drill could host a resource of 200,000 oz Pt. If so, the following parameters may be applicable;

Resource Size	5 Mt at 1.5 gpt Pt (241,000 oz)
Throughput	850,000 tpa for 37,700 oz p.a.
Capex	\$30m
Opex	US\$493/oz (\$23 pt)
Grade	Using a 0.8 gpt cut-off grade, the head grade could be 1.5 gpt. However, it is likely the cut-off grade could be lowered to 0.5 or even 0.3 gpt. Thus the head grade could be 1-1.5 gpt and our numbers would change.
Mining	The ore is found in a soft laterite zone averaging 10-15m in thickness, mostly above 30m vertical depth; w:o 3:1. Mining costs could be low with little or no drill and blast.
Processing and Metallurgy	<p>60% of the platinum is in free nugget form and 40% is associated with magnetite. Recovery rates of 90% are expected from the free platinum and 70% recoveries are expected from that associated with the magnetite.</p> <p>The clay/laterite host will have a very low work index and can be processed with a trommel and gravity circuit.</p> <p>The magnetite appears in various shapes and sizes throughout the clay horizon in an 8m thick zone. It would need to be crushed to a 60 micron size before magnetic separation removes the magnetite, enabling the recovery of the platinum.</p> <p>Scandium is associated with the magnetite and potentially recoverable but we have excluded it from our estimates. It is difficult to see how the nickel and cobalt could be recovered, but these are low grade and nominal only.</p>
Saleable Product	A product of 98% platinum and 2% iron oxide is expected. This could be smelted by the Company, but platinum has a much higher melting temperature than gold – 1,772°C as opposed to 1,060°C – and very few facilities can do it. With this in mind PGM thinks it would be better to sell a 98% concentrate to a refinery such as the Perth Mint.
Payment Terms	The Company has suggested low 80-85% payment terms, but it could be higher.
Infrastructure	Grid power, water available
Exploration	Only 1 km <sup>2</sup> is being assessed out of 12 km <sup>2</sup> of prospective ground. Thus the resource could be 2-3x higher.

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**Platinum Project Evaluation Model - Platina Resources - Owendale Project**

<i>Company</i>			<i>Project</i>				
<b>Platina Resources Ltd</b>			<b>Owendale, NSW</b>				
<b>Share Data</b>			<b>Project Data</b>				
Shares on Issue	113.25 mill	Exercise	Ownership	PGM	100%		
Opts (listed)	0 mill	0¢	Status	JORC Resources			
Opts (unlisted)	6.85 mill	35¢	Production Start	Jan-14			
Total Units on Issue	120.1 mill		Location	NSW			
Share Price	\$0.28		NPV (Co. Equity)	\$80m	PreTax		
Mkt Cap	\$33.6m (diluted)			\$0.67/share	Diluted		
<b>Project Parameters</b>			<b>Ore Type 1 - Laterites</b>				
Capacity	0.85 mtpa		<b>Ore Type 2 - Primary Ore</b>				
Head Grade	1.50 gpt Pt	0.00 gpt silver	0.00 gpt silver				
Recovery	88%	0%	0%	0%			
Platinum Production	36,073 oz p.a.	0 oz silver	0 oz silver	0			
Waste:Ore	3.0 :1						
Mine Life	5 years on BGF reserve estimate						
<b>Operating Costs</b>							
Mining Costs	\$8.00 A\$ pt	\$4.00 per BCM	3.0% Royalty				
Treatment Costs	\$12.00 A\$ pt	2 s.g.					
Overheads	\$3.00 A\$ pt						
Site Cash Costs	\$23.00	\$506.50 US\$/oz					
<b>Resources/Reserves</b> NB: BGF estimates only <b>Mill. Oz</b>							
Resources	5 mill.tonnes	No Indicated %, Inferred %	0.241				
Grade	1.5 gpt Pt						
Cut-Off	0.8 gpt Pt						
Reserves	3.75 mill.tonnes	75% Conversion rate to reserves	0.181				
Grade	1.5 gpt Pt						
<b>Treasury Items</b>							
Hedging	0 000 oz	0 US\$/oz	Hedge +/-				
Revenue Items	<b>Spot Prices</b>		<b>Payment Terms</b>				
	1775 US\$/oz	Platinum	85.0%				
	000 oz US\$/oz		99.9%				
Debt	0 US\$m		Cash Position	\$7.8m	1/7/11		
Capex	30 A\$m	0% Recurring	Discount Rate	7.0%			
Exchange Rate	1.07 AUD/USD		Inflation	0.0%			
<b>Cash Flow Estimates</b>							
	June Yrs	2012	2013	2014	2015	2016	2018
Production (Co Share)	oz Pt	0	0	0	36,073	36,073	36,073
Revenue (on spot)	A\$000	0	0	0	50,865	50,865	50,865
Site Operating Costs		0	0	0	19,550	19,550	19,550
Project Cash Flow		0	0	0	31,315	31,315	31,315
Royalty		0	0	0	1,526	1,526	1,526
Project Net Cash Flow (PreTax)		0	0	0	29,789	29,789	29,789
Capex (Co Share)				30,000	1,500	1,500	1,500
<b>Platina (PreTax Cash Flow)</b>				-30,000	28,289	28,289	28,289
<b>Per Share (diluted)</b>		0¢	0¢	0¢	23.6¢	23.6¢	23.6¢
<b>Price x Cash Flow</b>		0.0x	0.0x	0.0x	1.2x	1.2x	1.2x
<b>Other/Notes</b>							
Area of prospective laterites is 12 km2, but only 1 km2 is considered here.							
Recovery is via gravity to a concentrate for sale direct to refinery.							