

# Platmin

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## SOUTH AFRICA'S EMERGING PGM PRODUCER

Platmin listed simultaneously in Toronto and London in August 2006, but the genesis of the company harks back to 2003 when the nascent Platmin acquired Boynton, a South African company with a handy Bushveld-based PGM portfolio.

**F**urther projects were added throughout the next two years. Boynton remains Platmin's 72.4% owned South African operating subsidiary, with various Black Empowerment partners holding the balance. Of these, by far the most important is Moepi Platinum. All told, Platmin owns 16.3 Moz of attributable PGM resource and anticipates producing 500,000oz of PGMs annually by 2012.

The Board is an interesting mix of Aussies, Brits and South Africans, led by Rupert Pardoe (Chairman), Keith Liddell (Deputy Executive Chairman) and Ian Watson (CEO). Together, these three and the other Directors have many decades of experience across the globe, with skills covering finance, company building, and mining engineering at the highest level, including companies like Anglo, Aquarius and Northam Platinum. They are well equipped to bring projects through to production and are unlikely to need to recruit outside help.

Platmin's lead project is Pilanesberg, a 14.5km<sup>2</sup> chunk of land on the Western limb of the Bushveld some 60km northwest of Rustenburg, the epicentre of South Africa's platinum mining industry. So far the company has delineated two discrete ore bodies, known as Tuschenkomst and Ruighoek. Taken together, proven and probable resources total a healthy 4.4 Moz of 3PGEs and gold, of which 3.2 Moz is attributable to Platmin). In July this year, SRK Consulting finished a full feasibility study covering both mineral reserve areas.

Criteria for a thumbs-up from SRK were an IRR of 15% or greater, and project payback with five years. In the event, the base case IRR was 22% with estimated payback in 2.5 years. Initial life of mine starts at 16 years. The plan is to exploit both ore bodies simultaneously, to the tune of 250,000 PGM ounces per annum, starting in Q1 2009. Since receipt of SRK's feasibility report, Platmin has stepped on the accelerator and has already ordered items of mining equipment with long lead times – mills, concentrators etc.

There are a number of interesting features to the Pilanesburg project. Firstly, infrastructure is good. The presence of mines nearby has ensured good surfaced roads that link the project to Rustenburg, water supply is not an issue and high capacity power lines already supply local chrome and platinum mines. Another Pilanesburg feature is that both ore bodies are very shallow and easily open-pit – neither pit will exceed 150m in depth, and stripping ratios are more than acceptable. This compensates generously for a fairly modest PGE grade of between 2.1 and 3.1g/t. Both Merensky and UG2 reefs are present at normal grades, as are several lower grade narrow silicified pseudoreefs which also carry PGE mineralization and will be mined anyway, so are put through the mill to recover additional oz. There are also helpful base metal credits. The deeper chrome-rich UG2 reef will also be mined, but selectively so, to achieve a low-chrome, high-sulphide material from the planned on-site concentrator. This high quality concentrate should allow Platmin to build their own smelter without the need for alternative technologies such as Conroast, or any risk of calamitous chrome-mediated smelter breakdowns.

Prill splits are similar across the Pilanesburg properties, and very favourable. For the uninitiated, the term 'prill split' is a synonym for the platinum group metal ratios. For Tuschenkomst, the largest of the deposits, Pt:Pd:Rh:Au is 60:28:10:2. The significance of this is the relatively low proportion of Palladium, which is far less valuable than platinum or the other metals. The sharp-eyed will have noticed the lack of mention of the other PGE, Ruthenium and Iridium. These are frequently omitted from estimations but didn't entirely bypass SRK, who have teasingly left them out of the economic assessment, save to comment that they should 'positively affect the IRR and NPV of the project'. Just to complete the set, the sixth PGE, Osmium, is never assayed and happens to be highly toxic. Fortunately quantities are generally miniscule and unimportant. Engineering firm Dowding Keynard and Associates, who have built many of the platinum plants in South Africa, has been appointed to optimise and implement mine design and construction. It would be surprising if IRR did not improve further in coming months.

It is always good to see a second project coming up hard on the heels of the company flagship. M'Phatlele fits precisely this bill.

Located in the northern part of the eastern limb of the Bushveld, M'Phatlele lies approximately 50km south of Polokwane, the capital city of Limpopo Province. The property is large, in fact several times the size of Pilanesberg. Strike length is known to be 8km long and resources are again shallow, lying between 30 and 500m from surface. As at Pilanesberg, infrastructure is excellent. The reason for that is simple and significant: it is contiguous with Lonmin's Limpopo mine, of which more anon. Moepi and other BEE's own 46% of M'Phatlele, which sets it apart from Platmin's other projects. M'Phatlele is presently in the throes of a feasibility study set to report in Q1 2008, and further drilling is underway to increase the size of the resource. This should incorporate an upgrade of the known 12.6 Moz of mineral resource; Platmin provisionally sees this as supporting another 250,000oz of annual production.

Platmin has two other projects worthy of mention. Grootboom is located on the eastern limb of the Bushveld Complex, close to Eastplats' Spitzkop project. Once again, Platmin has a pre-feasibility study in process with results in Q1 2008. Platmin presents Grootboom as a smaller project capable of producing 80,000oz PGM per annum, but there is potential to expand by consolidating neighbouring tenements and a stand-alone concentrator may be justified at Grootboom, particularly if the neighbouring "Annex Grootboom" property adds worthwhile ounces.

Loskop is the fourth Platmin property, again on the eastern limb of the Bushveld. It is thought to host an extension to the so-called 'pseudo-Platreef' at Sheba's Ridge. The particular significance of this is the significant base metal mineralisation. Lonmin are interested enough in Loskop to have negotiated a 50% earn-in. To date the resource stands at 1.8 Moz.

At present, Platmin is valued in the order of US\$50 per attributable 3PGE ounce, fully diluted. That is a not ungenerous valuation but is admittedly crude. An ounce of metal at 150m depth is worth more than an ounce at 1000m, the depth at which many of their competitors will be digging. Just a month ago, Haywood Securities wrote a comprehensive broker's note and came up with a 12-month price target of \$11.50 based on Net Asset Value, rating the company 'Outperform'. Current NAV was reckoned to be worth \$8.68 per share.

The other price driver could be the takeover potential. The big question here is, how does Lonmin itself now view Platmin? Remember, that apart from its substantial shareholding, it owns mines contiguous with Platmin properties and has a 50% joint venture on Loskop. Furthermore, in 2005, before Platmin listed, Lonmin lodged a bid which was rejected. To put Platmin in perspective, once its three projects are in production the output will be equivalent to 1/3 that of Lonmin's this year.

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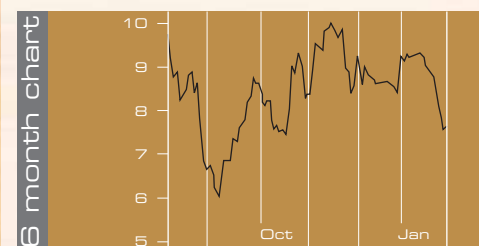
## Platmin

MARKET

LSE

TICKER

PPN



SHARE PRICE  
**422.5p**

SHARES ISSUED  
**104.78M**

MARKET CAP.  
**£442.69M**