

8th September 2017

Sector: Mining



Source: LSE

Market data

EPIC	JLP
Price (p)	4.1
12m High (p)	3.26
12m Low (p)	7.50
Shares (m)	1.1bn
Mkt Cap (£m)	46.0m
Free Float*	98.8%
Market	AIM

*As defined by AIM Rule 26

Description

Jubilee Platinum is an AIM-quoted “mines to metal” company focused on platinum in South Africa. The company’s current focus is on platinum and chrome surface reprocessing operations and Jubilee has successfully built and commissioned the Hernic and DCP operations. Long-term blue-sky potential is provided by Tjate, one of the world’s largest undeveloped platinum projects.

Company information

CEO	Leon Coetzer
Non-Exec Chairman	Colin Bird
Non-Exec Vice Chair	Mathews Phosa
Exec Director	Andrew Sarosi
Non-Exec Director	Christopher Molefe

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Jubilee Platinum

New agreements crystallise potential of DCM

Jubilee has signed two major agreements which put the company firmly on track to start realising the full potential of the Dilokong Chrome Mine Tailings Project (“DCM”). Firstly, a new Partnership Agreement has transformed DCM into an equal joint venture in respect of earnings from chrome, whilst securing the rights to PGMS from all material. Secondly, a 3rd party ore agreement has secured feed to utilise spare capacity in the DCM plant.

- ▶ **New Partnership Agreement re-sets the balance.** Jubilee, through its subsidiary JTTC has executed an agreement for the treatment of tailings and chrome ore, with DCM (Pty) Ltd. The agreement supersedes all previous agreements at DCM and transforms Jubilee’s operations at the project into an equal joint venture with DCM which covers all chrome ore, including 3rd party ore. This translates to Jubilee now gaining the right to 50% of all earnings generated from the processing of chrome ore, which is vast improvement from the outset of the project when Jubilee held no rights to chrome earnings. Jubilee will now derive revenue from toll-charges for the treatment of this material, in addition to its enlarged share of the earnings from current chrome sales. Importantly, this was achieved without any sacrifice of PGM rights at Dilokong.
- ▶ **3rd party chrome ore secured.** The new agreement also offers a toll processing contract to Jubilee of up to 40ktpm of ROM material (480ktpa) to feed the chrome processing circuit. The agreement covers an initial period of three years and can be extended by mutual agreement. The addition of 3rd party ore of this quantity is significant as it will more than double the existing throughput of the DCM chrome recovery plant and utilise the current spare capacity. Furthermore, the processing of additional 3rd party ore will not increase the fixed-cost component of the operation.
- ▶ **Utilising spare capacity.** Jubilee has been negotiating to bring additional 3rd party ore to DCM for some time. Jubilee secured operational control of the entire chromite processing capability at DCM in April 2016 after ASA went into business rescue. This spurred a new Framework Agreement which increased Jubilee’s overall tailings processing capability at DCM from 25ktpm to 75ktpm. This created the imperative to secure new sources of 3rd party chrome ore. This new source of ROM feed will be extremely useful for Jubilee, as we recall in Q1 and Q2, the company used an increase in chrome production to off-set the impact of lower chrome prices on earnings.
- ▶ **PGM kicker.** An additional benefit is that the agreement also gives Jubilee the rights to generate income from the PGMs in the 3rd party ore. This gives Jubilee control over all PGMs at DCM, irrespective of source. This will provide a boost to the future PGM revenue stream as an additional component to the chrome, once Jubilee has concluded a commercial arrangement for the toll-processing of PGM material. Based on estimated PGM grades of LG6 reef once chrome is removed, this could translate to approximately 1,300oz of additional PGMS per month, a valuable contribution to the growing PGM material stockpile at DCM. Jubilee’s next key deliverable will be to start recovering these PGMs to create an additional revenue stream.
- ▶ **Growth strategy gathering pace.** The new agreements come hot on the heels of the recently announced funding agreement, where Jubilee has secured access to \$50m of pre-approved debt funding to pursue multiple surface-based metal reprocessing projects. This should see Jubilee increasingly leverage its strong expertise in metallurgy and identify additional low-risk, low capital intensity metals recovery opportunities.

We view the two new agreements as important steps forward for Jubilee. Whilst the last couple of years has presented a myriad of challenges for the company, the mist is starting to clear and the pathway to value is emerging once again. Jubilee now needs to continue knuckling down to transform project progress into meaningful cashflow.

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