

Client: Jubilee Platinum
Source: HighGrade
Date: 23 October 2012

Desperate to be different

Chris Cann in London

NO ONE likes to be told they're just like everyone else, least of all Jubilee Platinum chief executive Leon Coetzer. Coetzer was recently back in London as part of his ongoing battle to convince investors that Jubilee was not just another besieged South African platinum junior. And this time, he was armed.

“We're in London trying to help people understand that we're not a junior company desperate for capital with no potential for earnings – there are lot of risks surrounding those companies in terms of their ability to survive the current challenges thrown up by the market and South Africa,” he told *HighGrade*.

Coetzer was particularly emboldened on this latest trip. In previous campaigns the differentiation was based on a nice idea but this time there were runs on board, which means not only has the company profile changed but Coetzer has proven himself a man who delivers.

The Jubilee business has three parts to it: its ConRoast processing technology that allows it to liberate platinum group metals from high chrome ores and tailings dumps; a 70%-owned subsidiary power company, PowerAlt; and what is reported to be the world's largest undeveloped defined block of platinum ore, the Tjate project.

Last year he attempted to charm the City with a plan to become a cash flow positive business through the ramp up of the smelting business at Middelburg and the proposed sale of excess power into the South African grid. There was also talk of shifting the smelting business away from toll treatment toward a fatter margin, integrated mine-to-metal business. This would require Jubilee to have its own deposits, tailings or otherwise.

By the time Coetzer arrived in London late September, the ramp up at Middelburg was complete taking the smelting capacity to 10MW and Jubilee had agreed to supply 5MW of surplus power per annum to the national grid, starting this month. Those two achievements ensure that Jubilee's financial statements in November will show a net positive cash flow.

In addition, Jubilee has successfully secured its own platinum tailings deposits – 800,000 tonnes at the Dilokong chrome mine on the Eastern Limb of the Bushveld Complex, 500,000t from a farm on the Western Limb, and a massive 6.5Mt from various platinum-bearing (and ownership compliant) surface assets in Zimbabwe. Jubilee plans to extract enough platinum from these assets to deliver about 33,000 ounces of metal each year once up and running. Based on similar tailings operations already in production, that would deliver about £12 million in cash – pure cream on top of the toll treatment and energy businesses, which cover Jubilee's current development costs.

“Being cash flow positive suddenly allows the company to access project finance rather than just equity to fund its growth,” Coetzer said. “We’ve always been in discussions to secure project finance but we were missing that key ingredient which, because of the uncertainty in the world, banking institutions require nowadays – a consistent quarter of earnings. We don’t need to go back to shareholders anymore to finance the company, which is a massive milestone.

“The second vital point is that junior platinum miners in South Africa are so heavily discounted because there is a real fear that companies won’t survive in these challenging times.” Through its extraction/processing business and its power subsidiary, Jubilee has guaranteed its future.

With the cash flow milestone under his belt, Coetzer is strapping himself in for a period of consolidation. Though he believes surface assets are too valuable for Jubilee to overlook if opportunities are presented, the company will be focusing its energies on bringing Dilokong into production and delivering on its existing energy and treatment contracts.

“There will be a period now of consolidation, bedding down our earnings, and allowing our position as a company with positive earnings and a growing cash balance to provide a base from which we will look at future acquisitions,” he said.

Of course in the background lies Tjate – a sleeping giant. Once upon a time Jubilee would have been standing on top of a hill trying to shout over the other platinum juniors who had also landed themselves a big fish. It is a sign of how times have changed and how focused the company is that Coetzer barely mentions a project that is expected to deliver a resource in the region of 65Moz.

Though the finance industry rightly lacks faith in South African politics, the fact remains that the country has most of the world’s platinum, which will for the foreseeable future be a fundamental part of the jewellery and manufacturing sectors. Resources such as Tjate will have to be developed and there is an opportunity for those who choose to fund them.

Coetzer would argue that Jubilee has taken significant strides toward limiting its risk profile and therefore deserves to be treated differently by both banks and markets when it comes time to chase the \$US700 million it is estimated to cost to build Tjate.

“We haven’t yet successfully distinguished Jubilee – we haven’t been able to convince the market that we are not just another, normal platinum junior with one large project,” he said. “We are a company with earnings. We are a company with medium term surface assets coming into operation. And we are a company with a long term, world class project.”

These are the cold, hard facts and Coetzer would be hoping that anyone looking at platinum sector opportunities will find them difficult to ignore.