Jubilee Platinum uses new technology to process metal ore for others

Exclusive rights give miner edge on rivals

PIPELINE: Colin Bird aims to build and run the smelters for small firms

Midas by Joanne Hart INVESTMENTS EDITOR

PLATINUM is one of the most valuable metals. Highly prized in jewellery, it is also an essential component of catalytic converters, which remove toxic exhaust emissions from cars and other vehicles.

About 80 per cent of the world's platinum comes from South Africa, where production is dominated by three major companies – Anglo American Platinum, Impala Platinum and Lonmin. These giants of the industry mine their platinum and process it in massive smelters. They also perform this service for smaller miners for a sizeable fee.

Platinum is found in two main seams in South Africa – Merensky and Upper Group 2 (UG2). Until relatively recently, most came from the Merensky seam, for which the traditional smelters are ideally suited.

But Merensky's supplies are dwindling, so increasing amounts of platinum are being sourced from UG2. The raw material from this seam is rather different, containing large amounts of chromium that the old smelters find difficult to handle.

At present, about 55 per cent of South African platinum comes from UG2 and this is expected to increase steadily over the next 20 years, presenting a serious challenge for the large mining groups.

But the trend should be excellent news for **Jubilee Platinum**, a small company with exclusive rights to a new smelting process that is particularly effective for platinum ore from UG2. The new smelters cost less than £15 million to build – about a tenth of the price of a traditional smelter. They are smaller, cheaper to run and produce far less harmful waste gas.

Jubilee has already started to build one and intends to have two facilities up and running by the end of this year. The group owns a chrome producer itself and will use the first smelter to produce platinum from chrome production residues, but it is also in talks with several other companies with a view to processing platinum on their behalf.

Two producers have already signed up and others are expected to follow. Over time, Jubilee chairman Colin Bird aims to work with smaller companies across South Africa, constructing and operating smelters on site for them.

This should be considerably cheaper than sending raw platinum ores to the big mining groups to process and it will give smaller miners more control over their production.

Jubilee also owns a 63 per cent stake in the Tjate mine, one of the largest undeveloped platinum projects in the world. The mine is several years from production but it is a prestigious asset, particularly as the metal is predicted to be in short supply over the coming decade.

Tjate is expected to produce 2.4 million tons of ore a year once it is up and running. Platinum is currently $1,500 (£970) an ounce, but the price is expected to rise once global economic conditions improve.

Small miners fell out of favour last year as the financing environment deteriorated. But Jubilee is making money from smelting ferroalloys for steel and Bird recently sold a small stake in part of Tjate for £5.6 million. Looking ahead, the group might also sell an Australian nickel mine as this is not a core business.

▸▸Midas verdict: Jubilee's shares were 124p in June 2007. Today they are 12¼p. Five years ago, Jubilee did not own the licence for the new smelters and exploration of the Tjate mine was far less developed. In other words, the firm's situation is much improved but the shares have tumbled. At 12¼p, they are a bargain.

Small miners are never risk-free, but even if Jubilee hit trouble, it would almost certainly be snapped up by a big rival. Buy.

Traded on: Aim **Ticker:** JLP
Contact: 020 7584 2155 or jubileeplatinum.com

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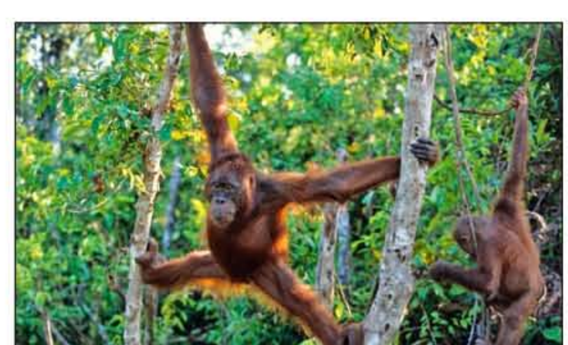
Shares treble at Asian Plantations as buying spree boosts land bank



SAFE: The firm avoids harming orang-utan habitats

MIDAS UPDATE

PALM oil farmers are accused of destroying rainforests, harming the environment and killing off orang-utans. But the oil is also one of the most widely used crops in the world.

It is a staple in Asian, African and Latin American cooking and a key ingredient of processed food, such as cakes and biscuits, and healthcare products, such as soap and shampoo.

***Asian Plantations* manages to avoid much of the controversy as it is based in Malaysia, which banned the conversion of forest into agricultural land 15 years ago.**

This means farmers can use only land officially designated for agricultural use, much of which has already been snapped up from locals for large-scale production. But Asian Plantations operates from Sarawak, a remote outpost where opportunities still exist, particularly for well-connected operators.

The group is run by joint chief executives Dennis Melka, a financier who has spent the past decade in South-East Asia, and Graeme Brown, a plantations and agricultural expert who is married to the daughter of one of the leading families in Sarawak.

Midas recommended the company two years ago this month, when it had 25,000 acres of land. Since then, Melka and Brown have been buying land from local players and by the end of March they will have about 75,000 acres.

The company has also developed a state-of-the-art crushing mill so it can process its own crop, substantially boosting profitability.

▸▸Midas verdict: Asian Plantations shares were recommended at 85p and have soared to 264½p over the past two years, driven by a surge in the palm oil price and the company's increased land bank.

Supportive brokers believe they should rise further this year and suggest the company may prove an attractive bid target.

But investors do not lose money from banking a profit. Those who bought in 2010 should sell two-thirds of their stock now and keep the rest, knowing they have already reaped a reward from their investment, but retaining a few shares in the hope the situation continues to improve.