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## **Jubilee Platinum Starts To Generate Cash From Smelting And Power Generation In South Africa**

*By Alastair Ford*

**“The good news now is that Jubilee is into cash generation”, says [Jubilee Platinum’s](#) chairman Colin Bird. After more than a decade of relying solely on the largesse of shareholders, the company now has two separate income streams.**

Firstly there’s the income from its Thos Begbie smelting operations near the town of Middelburg in Mpumalanga province, South Africa, which is currently producing around 900 tonnes of ferroalloys per month.

That’s shaping up into a tidy-looking operation, though its intricacies have been a tough sell to an investment community still trying to get to grips with the true value of Jubilee’s bespoke ConRoast platinum smelting technology.

ConRoast is being added in to the Thos Begbie facility, and if a mooted deal with Northam goes through, could account for a large slug of Jubilee’s future income. But for the time being, the existing cash flow relates more to the smelting of ferroalloys, including ferronickel and ferrosilicon.

“We smelt chrome concentrates where nobody else can”, says Colin. Indeed, a direct peer for Jubilee is hard to find – has been for a long time. The advantage the company has is that it can produce a finished product. That’s not something anybody else of a comparable size can do, including close rival Sylvania. Which is why, says Colin, when smelting contracts come up, Jubilee is often the winner.

It all requires plenty of power of course, and in a country that became notorious for its power outages a few years ago, securing a reliable supply is no easy matter. But Jubilee has solved that problem at a stroke, with the acquisition of a small, but profitable power generating company called PowerAlt, which operates a gas-fuelled facility near Thos Begbie.

PowerAlt produces enough power to supply the needs of Thos Begbie, with plenty left over for onward sale. And so, selling into the South African grid has now become [Jubilee Platinum’s](#) second source of income.

And there could be more to come. Collectively, says Colin, those two income streams deliver around £200,000 per month, which is a nice support to have in a market in which raising new equity is not easy.

There are plans afoot to increase the current output from PowerAlt from 5.1MW to around 8MW, and in the longer term could even go higher, as the company has open ended rights to take enough gas from its supplier Sasol to generate 20MW.

Small beer in the world of power stations perhaps, but plenty big enough to allow Thos Begbie some wriggle room in terms of costs. “We’ve dropped our power costs to net 52 cents per kilowatt hour, which is cheaper by far than anyone can get from the national grid”, says Colin.

What’s more, the company has lately been acquiring new sources of supply on pretty favourable terms. “We’ve acquired three dumps”, says Colin, “two in South Africa and one in Zimbabwe.”

In the most recent deal, announced at the end of September, Jubilee will pay £263,000 either in cash or in shares, for a 51 per cent stake in a company which holds the prospecting rights on a farm on the Western Bushveld. This farm includes a 500,000 tonne chromite dump that contains platinum group metals – ideal feed, going forward, for Thos Begbie.

So it looks as though Jubilee is at last beginning to get all its ducks in a row. “There is a recognition that Jubilee can deliver on all aspects of our operation now”, says Colin, although admittedly the market hasn’t quite woken up to that fact yet.

The shares are currently trading at just 0.1p off a three year low, at 8.625p. Some of that weakness is down to investor uncertainty about the precise implications of the tie-in of ConRoast at Thos Begbie and what it all means in terms of valuation and future profits.

But there’s also plenty of uncertainty about the platinum market itself, and what’s likely to happen next in South Africa, where labour relations have recently been derailed by a series of violent strikes.

On the first point, Colin retains his long-standing bullish view of the sector, notwithstanding that most industry watchers forecast that platinum will be in surplus next year.

The supply side shocks relating to the strikes will, he reckons, lead to a sharp spike in platinum before too long. “The platinum price will suddenly stand on end”, he says. In fact, he’s surprised that it hasn’t happened already.

But more to the point as far as the fundamentals are concerned, he notes that recent figures show that US car sales are now running at 3.8 million annually, which is an increase on the previous number and an indication, says Colin, that demand is beginning to recover.

Buyers for the car companies have apparently been absent in the market for some time, but now they are sniffing around again.

Whether he's right of course, remains to be seen, but it is true that the confidence needed to develop new platinum mines has been severely dented in South Africa. "I see an imbalance in supply and demand for a number of years."

All of which means that Jubilee is sitting in a more comfortable position than it's been in for some time. As icing on the cake, there's a likely £6 million cash boost coming shortly from the sale of a portion of the Tjate development project to what's officially described as "a major company", but which is almost certainly Impala.

It's taken a long time for the company to carve out a place for itself in the complex and pressurised platinum and chrome sector. But things at last seem to be settling down. Which way the share price goes from here remains to be seen, given the huge number of variables. But either way, it's likely to be an interesting ride.