

Client: Jubilee Platinum  
Source: Minesite  
Journalist: Alastair Ford  
Date: 28 February 2013

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## **Jubilee Platinum's Acquisition Of Platinum Australia Completes The Mines-To-Metals Circle**

*By Alastair Ford*

**The details of [Jubilee Platinum's](#) deal to acquire Platinum Australia met with a mixed response when they were released to the market on 25th February, but partly that was a result of confusion about funding.**

There's no question that re-starting Platinum Australia's Smokey Hills operation will need new money.

But this will not be coming from Jubilee shareholders.

Rather, as UK broker Finncap spelled out very clearly towards the end of morning commentary on the day the terms were announced: "The mine and plant re-commissioning will require project funding of at least ZAR190 million (£14.1m), to be raised at the project level".

It's that last point that is key, as [Jubilee Platinum's](#) chairman Colin Bird emphasises when he gets on the phone to Minesite from South Africa to talk up the merits of the deal.

"It will be project and bank financed at the project level", he says. "Off-equity."

But he also concedes that there is concern about the viability of the operation itself. "Because Platinum Australia was in receivership", he says, "people think it's a failed project. But receivership is a nightmare for one party, but it's an opportunity for another."

Jubilee's plans for a re-start at Smokey Hills don't call for as high a level of production as the old Platinum Australia plans, and that, says Colin, gives the company the opportunity to develop the mine properly.

Having said that, it wasn't with a view to taking over the whole operation that Jubilee first broached a deal with Platinum Australia. Rather, the initial approach was to register an interest in renting Platinum Australia's concentrator. And that concentrator remains a key attraction.

"The Platinum Australia concentrator saves us US\$25 million to US\$30 million", says Colin. "And it will bring our mines-to-metals strategy forward 18 months. It's really just a massive hurdle jumped."

Well and good: the first component of that will be production from the Dilokong tailings project, which should ring in at around 1,600 ounces of 4E (platinum, palladium, rhodium and gold) per month once the Platinum Australia concentrator is deployed. That's not a bad little kicker at a time when the platinum price is on the rise.

But the Smokey Hills operation as a whole should add a lot more. Once the mine is restarted overall production should hit 60,000 ounces. Company literature currently sets the restart date for Smokey Hills as sometime in the second half of this year, and chief executive Leon Coetzer will be in London next week to update investors on more of the specifics.

If Colin and Leon can pull it off it will have been a remarkable and rapid transformation for a company which has hitherto consisted primarily of the undeveloped 65 million ounce Tjate project in the eastern Bushveld, and of the ConRoast smelting technology which specialises in extracting platinum elements from chrome ores, and which is currently being deployed at Middelburg.

No wonder Colin argues that the Platinum Australia deal will "change the face of Jubilee".

"This year", he says, "will be a pivotal year for Jubilee. We'll have tailings, primary mining, Conroast, we're generating power, and we're a smelter of non-platinum metals." There's also a deal to take ore from Northam Platinum in the offing, which Colin says is now "very close".

All told, Jubilee has many strings to its bow. But that's both a strength and a weakness. In a rising platinum market it's no bad thing to be deployed all along the value chain. But on the other hand, investors have at times struggled to keep up with Jubilee and work out what exactly it is and where it's going.

It's partly for that reason that the shares have dipped over the past couple of weeks, from a three month high of 12.75p to the current price of 10.12p.

And the subtleties of the deal have exacerbated the effect. Jubilee will acquire all the shares of Platinum Australia on a one-for-2.593 basis, and will also convert US\$11 million of Platinum Australia debt into equity. Overall, existing Jubilee shareholders will be left with around 54 per cent of the enlarged group.

But strip away unfounded worries about further equity dilution and it's an enticing prospect. The commentary that went alongside the terms of the deal spoke of the creation of "a significant South African platinum group metals producer supported by strong prospects for expansion through the development of its near surface resources".

Those resources come as part of the Platinum Australia deal and provide further upside for a company that's already rolling in upside. Alright, there's some discount for South African risk, but that's also where the fundamental strength lies.

"There is a growing realisation that a lot of the South African platinum mines are old", says Colin.

"Anglo is closing four shafts. There's no announcement on new shafts. You don't need a degree in mining to work out that the platinum supply will be reduced. The fundamentals for platinum are reasonable, but platinum isn't driven by increased demand, it's driven by the anticipation of reduced supply."

And fears of reduced supply have only been compounded in the past few months by the ongoing labour unrest at some of South Africa's major platinum mines.

"For the past few years the platinum price has been tied to gold", says Colin, "and only in the past few months has it disconnected. I'm optimistic for a price of US\$2,000 an ounce when we get this deal finished."

If he's right, and platinum does go to US\$2,000, up from the current US\$1,600, then Jubilee's long years of manoeuvring to become a mines-to-metals producer will start to make an awful lot of sense to any investors who remain sceptical today.