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Jubilee Platinum Turns Cash Flow Positive At Middelburg, With An Additional £4.1 Million Set To Come In To Finance Dilokong

By Alastair Ford



“We’re building up this business and building the cash flow month on month”, says [Jubilee Platinum](#)’s Leon Coetzer. “From that point of view we’re quite happy.” The share price is another matter, and has been lagging of late.

But Jubilee has had so many false starts over the past year or two that it’s probably going to take investors a little while to catch up on the new-

look, cash generative company, with money coming in from smelting operations at Middelburg, a cash pile likely to be boosted considerably by an £4.1 million asset sale, and several other projects at various stages in the development cycle.

Over the years Jubilee has, Leon concedes, “taken a few turns”. “At Middelburg”, he says, “Our focus was to turn it into a platinum smelting business quite shortly. But then the world came to a standstill, and we were able to adjust.”

Instead of platinum, the price of which had crashed, the company turned to the production ferroalloys. And that worked out quite well. “We ended up delivering something far more sustainable than we imagined”, says Leon.

And so, for the second quarter of 2014, the Middelburg operation boosted production by 47 per cent and delivered sales of just over £1 million and net profits of around £70,000.

It was the first quarter in which Middelburg delivered both gross and net profits, and it's a trend that's set to continue following a major refurbishment programme and the commissioning of a third arc furnace earlier this year.

"There's still significant growth potential in terms of invested capital", says Leon. The latest news from the company is that Middelburg delivered net profits in July too, in spite of nationwide industrial by one of the major metalworkers unions.

And more growth is on offer from platinum too, which is beginning to come back into favour. It's not roaring ahead like it did at the latter part of the last decade, but nonetheless the trend is up and that bodes well for a renewed emphasis on PGMs, both at Middelburg and elsewhere.



One key aspect of this for Jubilee is its exclusive rights to the proprietary Conroast smelting technology. The company is currently in talks with what Leon calls "a very large platinum producer" which is in the final stages of producing a feasibility on the use of Conroast in a mooted 10 MW furnace. Leon reckons a deal will be ready "within weeks", and when it comes it could well act as a catalyst to the company's moribund share

price, since the market has still yet to be convinced of the commercial desirability of Conroast.

Precisely how an agreement with Jubilee would be structured, but a previous agreement structured around a 5 MW furnace allowed for an immediate US\$1 million upfront payment to Jubilee to be followed by free treatment of Jubilee concentrate once the furnace had been built. Cash, plus access to sizeable processing facilities at no cost would be a significant boon to a junior company like Jubilee, especially given Jubilee's unique aspiration to become a "mines to metals" producer.

To that end, the company is also brining forward two separate platinum projects, a brownfields tailings project called Dilokong, and a greenfields project called Tjate. Tjate took

a big step forward this week, as the company submitted an environmental assessment report to the Department of Mines in South Africa.

“We’ve engaged continuously and heavily with the DMR”, says Leon. “We are hopeful that the DMR will process our application quite quickly.” Exactly what Tjate will be worth to the company remains to be seen. At this stage, it contains over 22 million ounces of platinum group elements plus gold, at depths of between 600 metres to over 1,600 metres, all down dip from two operating mines owned by majors – Twickenham and Marula. It’s a tidy resource and could well be turned to good account in future years, especially if the platinum price continues to trend up.

In the more immediate term though, a small portion of it has been turned to good account already. AngloPlatinum has agreed to buy the Quartz Hill portion of Tjate for £4.1 million.

“We haven’t even drilled it”, points out Leon. And he adds that as far as exploration drilling is concerned the topography is particularly forbidding. But that’s not the point, as far as Amplats is concerned.

“That corner of our property cuts out a tooth-like shape out of their property”, explains Leon. “It was worthless to us because we couldn’t mine it. So overall it’s a win-win.”

The money raised by the transaction will be put towards the development of the Dilokong tailings project. This was to have been developed as part of a wider transaction involving Platinum Australia. But in the end Jubilee was unable to come to an agreement with Platinum Australia’s major creditor, MaQuarie Bank. Instead Jubilee will proceed with Dilokong alone, and has already secured water and power from ASA Metals, the operators of the Dilokong mine.

It all adds up to a hotbed of activity, now, at long last, supported by ongoing cash flow. “It’s a wonderful position to be in”, says Leon. “With all these assets and no debt at all. Any future injection of cash can go straight into the assets.”

How long it will take the market to wake up to Jubilee’s new found position of strength remains to be seen. Leon will be in London at the end of August, updating investors and banging the drum. But it may take more than just the one trip. Heavy marketing and further strength in platinum are the immediate prescriptions, to be supported by encouraging development news and continued profit growth. Interesting times.