

Growth Equities & Company Research



Jubilee Platinum*

- Total Platinum Capability is Unique for Junior Miner.

'Strong Buy' with Target Price increased from 56p to 67p

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28th September 2009

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The proposed acquisition of Braemore Resources plc ("Braemore") will transform Jubilee into a vertically integrated resources company with interests in mineral exploration, development, extraction, smelting and refining. It gives the firm "total capability" – something almost unique among mining juniors. The jewels in Jubilee's crown are the 63% owned South African Tjate platinum project and Braemore's unique and patented 'ConRoast Process' smelting technology, which provide the ammunition for the company to generate near-term cash flows, and propel it into the ranks of the mid tier producers. The market has yet to recognise this, having increased our target price from 56p to 67p, we believe that the shares, at 36p, are a **strong buy**.

The Tjate project is a vast platinum resource located in the Eastern Bushveld complex in the North East of South Africa. It has a South African Mineral Resource Committee (SAMREC) compliant resource of 22.3 million ounces of 3PGE+AU (Platinum, Palladium, Rhodium and Gold) and is currently the subject of a bankable feasibility study.

Due for completion by November 2009, Jubilee's scheme of arrangement with Braemore will see it absorbed into Jubilee and provide the enlarged company with exclusive access to the ConRoast Process ("ConRoast") technology. Offering a unique method of processing chrome rich UG2 platinum reefs, ConRoast is licensed exclusively to Braemore until 2020 and offers the promise of short, medium and long term cash flows from the treatment of smelter slag, re-treatment of 3rd party tailings dumps and processing of ore from Tjate and other potential junior producers.

Our 67p valuation of Jubilee is derived from a discounted cash flow of the Tjate platinum project, the treatment of smelter slag and tailings dumps and the company's estimated net cash position. Our assumptions have the 63% owned Tjate project producing 335,000 ounces of 3PGE+AU annually for 20 years beginning in the 12 months to 30th June 2014. At an output weighted Platinum, Palladium, Rhodium and Gold basket price of \$997 per ounce, an operating cost of \$45 per tonne of ore, a tax rate of 28%, discount rate of 10% and

Key Data	
EPIC	JLP
Share Price	36p
Spread	35p – 37p
Total no of shares	135 million (pre placing & acquisition) 229.2 million (post placing & acquisition)
Market Cap	£48.6 million (pre placing & acquisition) £82.5 million (post placing & acquisition)
12 Month Range	7.125p – 53.75p
Net Cash	£19 million (post placing)
Market	AIM
Website	www.jubileeplatinum.com
Sector	Mining
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\$600 million of debt-funded capital costs, we derive a Net Present Value (NPV) of \$221 million for the Tjate project. Producing an expected \$1.5 million and \$10 million per annum in operating profit from mid 2010 and mid 2012 respectively, we have valued the smelter slag treatment and tailings re-treatment at a combined \$70.5 million. Adding the company's estimated £19 million in net cash, we value Jubilee at £191 million using a USD/GBP rate of \$1.70. With 229 million shares in issue post the Braemore acquisition, and incorporating a secondary risk weighting of 20% to take into account permitting, funding, development and delay risks, we derive a 67p target price for Jubilee. We have intentionally been conservative in our assumptions, with the very realistic possibilities that Tjate could enjoy increased mining rates and a mine life beyond our 20 year horizon; that commodity prices move higher and that the company can generate additional revenue streams such as from Australian nickel tailings projects. Consequently, at 36p, we rate Jubilee a **strong buy**.



Forecast Table:

Year to 30 th June	Sales (£ Million)	Pre-tax Profit (£ Million)	Earnings Per Share (p)	Price Earnings Ratio	Dividend Per Share (p)	Dividend Yield (%)
2007A	0	(1.75)	(1.55)	NA	0	0.0
2008A	0	(4.08)	(3.61)	NA	0	0.0
2009E	0	(1.5)	(0.1)	NA	0	0.0
2010E	1.5	(1)	(0.7)	NA	0	0.0

*Jubilee Platinum is a corporate client of Bishopsgate Communications, which is owned by Rivington Street Holdings, the ultimate owner of GE&CR.

Background

Incorporated in June 2002 before raising £2.2 million by way of its AIM listing a month later, Jubilee's immediate focus was on the PGE (Platinum Group Element) sector. While early interests in Canada and Ethiopia have since been divested, a focus in Madagascar and, most significantly, South Africa remain. Early stage exploration assets were secured in Madagascar in 2004, while a 25% interest in the Black Economic Empowered (BEE) Tjate Platinum Corporation (South Africa) was acquired in December 2004 for £3.1 million. This interest in Tjate was gradually increased through the purchase of another 10% by agreeing to invest £1.2 million to fund partly a feasibility study, while the purchase of a 49% interest in NewPlats took Jubilee's direct and indirect holding in Tjate to 48.72%. The failure of Black Economic Empowerment (BEE) stakeholders to exercise their pre-emptive rights to acquire a further 15% in Tjate meant Jubilee picked this interest up to take its stake to 63%.

A secondary listing on the Johannesburg Stock Exchange was made in November 2006 in order to raise the company's exposure in South Africa and to increase the range of funding options available.

Braemore

UG2 ore is composed primarily of chromitite and therefore has a relatively high chrome content. Platinum mines in South Africa have traditionally targeted Merensky Reefs, which have a lower chromite content than UG2 and simpler processing profile but as mining costs increase, the easily accessible Merensky reefs are increasingly being mined out. Thus, with platinum a significant part of the South African economy, in 1994 the government, through its wholly owned company Mintek, sought to develop a process to handle chrome rich PGE concentrates from UG2 reefs as well as to reduce the level of SO₂ (Sulphur Dioxide) emissions produced. The result is ConRoast Process, a smelting technology that controls emissions by removing in one pass sulphur from concentrates prior to smelting, while handling higher levels of chromite by dissolving the chromium in the slag. More than a decade later Braemore, having acquired exclusive global access to Mintek's proprietary ConRoast technology for the remaining life (2020) of its patents, is on the brink of providing a toll treatment service to miners of UG2 ore. Jubilee, seeing the applicability of ConRoast to its own operations, as well as the near-term cash flow potential from toll treatment, announced its intended takeover of Braemore on 3rd July after conditions and circumstances became conducive to the two companies coming together. The scheme of arrangement is subject to the approval of at least 75% of Braemore shareholders no later than the end of 2009, with the offer of 1 Jubilee share for every 15.818 Braemore shares held being endorsed by both company's boards. With more than 50% of said shareholders having already given irrevocable agreements to vote in favour of the scheme, so there is every reason to believe that it will proceed.

Operations

With the impending acquisition of Braemore, Jubilee will operate across the entire resources spectrum from exploration and development to processing by way of smelting and refining.

Exploration / Development

South Africa

Tjate Project (63% interest)

The Tjate Platinum Corporation Ltd (TPC) holds the prospecting rights to three contiguous farms - Dsjate, Fernkloof and Quartz Hill – covering a total of 5,143 hectares in the Eastern Bushveld of South Africa. Each of the targets is down dip of Implats' operating Marula platinum mine and Anglo Platinum's Twickenham platinum project. Jubilee owns 63% of TPC with its BEE partners owning the remaining minority stake.

A SAMREC code-compliant resource, issued 4th June 2009, estimated Tjate to include 22.3 million ounces of contained 3PGE+AU (Platinum, Palladium, Rhodium and Gold) hosted within two reefs - Merensky and UG2. Geological losses of 16% on Merensky and 20% on UG2 were incorporated in the resource definition and reflect the increased difficulty in processing UG2 reefs.

Merensky			
Classification	Resource Tonnes	3PGE+Au (g/t)	3PGE+Au (Mozs)
Indicated	6,759,711	4.85	1.055
Inferred	49,513,514	4.63	7.374
Sub-total	56,273,224	4.66	8.429
UG2 Reef			
Classification	Resource Tonnes	3PGE+Au (g/t)	3PGE+Au (Mozs)
Indicated	4,801,649	5.89	0.91
Inferred	71,405,620	5.66	12.99
Sub-total	76,207,268	5.67	13.9
Total Merensky and UG2			
Classification	Resource Tonnes	3PGE+Au (g/t)	3PGE+Au (Mozs)
Indicated	11,561,359	5.28	1.964
Inferred	120,919,133	5.24	20.365
Total	132,480,493	5.24	22.329

3PGE = Platinum, Palladium and Rhodium

Tjate's geological adviser and exploration manager, Geo-Consult International Ltd, believes that the current borehole and resource data, covering around 45% of the total Tjate project area, suggests that an exploration target of up to 52 million ounces of 3PGE+AU (after geological losses) is a realistic target and would give Jubilee an enviable deposit.

The estimated resource at Tjate is reflective of a wider trend in the PGE industry where an increasing proportion of platinum resources are being found in UG2 reefs which, with their elevated levels of associated chrome, have presented processing problems for traditional smelters. Whilst this is an issue for other companies, the impending acquisition of Braemore, and its unique ConRoast Process technology, means Jubilee will have an in-house solution and independence from external smelters.

Since the excitement generated by Jubilee's resource announcement in June 2009, the company has accelerated work on the Tjate bankable feasibility study which began in 2008, and is currently evaluating candidates to complete this important piece of work.

Maude Mining & Exploration (65% interest)

Maude Mining & Exploration holds the prospecting rights for PGE's in the Bokfontein JQ448 and Elandsdrift JQ467 licences as well as the chrome rights at Elandsdrift in the Western Bushveld Complex, South Africa. Covering a total of 600 hectares, early shallow drilling at Bokfontein revealed a low PGE bearing chromite reef, but such early discoveries were not repeated at Elandsdrift. With Tjate the company's undoubted focus, the decision was made for Maude to enter into an unincorporated joint venture with Benhaus Mining (Pty) Ltd. Benhaus will fund further exploratory drilling on both properties in exchange for the pooling of respective PGE and chrome rights on Elandsdrift and the rights to the PGEs in Bokfontein's chromite tailings. Shallow exploratory drilling has commenced on both properties.

Madagascar

Londokomanana Project

Located in the Londokomanana region of Central Madagascar, the Londokomanana project comprises two prospects - Antsahabe and Mavoandro. Recent infill drilling at Antsahabe showed continuity of good nickel mineralisation over a limited strike length, while drilling at Lavatrafo revealed patchy nickel and PGE mineralisation. The nickel, copper and PGE interests were, until recently, operated as a joint venture between Jubilee subsidiary Mineral Resources of Madagascar and TransAsia Minerals Ltd. However, following the deterioration in economic conditions, the joint venture was terminated with TransAsia's interest reverting back to Jubilee.

Ambodilafa Project

Covering a licence area of 98 square kilometres the Ambodilafa licence, like Londokomanana, is prospective for nickel, copper and PGEs. It is operated under a joint venture with Impala Platinum Holdings Ltd, which is optioned to earn a 51% interest by spending \$5 million over 4 years, Ambodilafa is located 160 kilometres South West of the capital city of Antananarivo. The currently identified strike length is some 17 kilometres long and up to 5 kilometres in width with recent whole-region mapping and soil sampling, a helicopter-borne magnetic and radiometric survey and follow-up drilling in the Western base identifying further targets for follow-up.

Processing

Braemore

Braemore's proposed operations are in Australia and South Africa, with plans to re-process large nickel sulphide residues at existing mines owned by BHP Billiton in Western Australia augmenting planned operations in South Africa. Currently Braemore has a 3.2kw ConRoast furnace located in Randburg, a suburb of Johannesburg, and while it is a requirement of its agreement with Mintek to operate a 10kw furnace within 2 years, this should not be a burden as the group's ambitions already exceed this level of operation.

While Braemore's soon to be completed acquisition by Jubilee will create a vertically integrated company with mid-tier ambitions, its plans in the short to medium term are unchanged. In the near term, Braemore will toll treat slag from a number of South African smelters which are either incapable of, or economically hampered from, processing chromite rich ores. The existing 3.2kw furnace is expected to treat 2,200 tonnes per month (tpm) and generate net cash flows in excess of \$250,000 per month when operations begin shortly.

In the medium term, installation of a 10kw furnace will allow the company to commence the re-treatment of tailings dumps currently in the process of being secured by Jubilee. The attraction here is that the 'ore' is at surface and of a good platinum grade, which makes the economics compelling. However, because of this accessibility, the market for accessing tailings dumps is very competitive and consequently Jubilee is guarded in releasing information about its activities here.

In 2005, Braemore negotiated a supply agreement with BHP Billiton to evaluate and run a pilot plant on the nickel tailings of three Western Australia mines - Leinster, Kambalda and Mount Keith. Assuming positive feasibility study conclusions, Braemore will build and operate a plant to process a JORC resource estimate of 29.6 million tonnes at 0.46% nickel for 135,000 tonnes of contained nickel in the tailings of the Leinster mine. An agreement for BHP to sell the tailings to Braemore at 5% of their contained metal value and buy back the sulphide concentrates at 70% of the contained metal value has also been negotiated. A further 350,758 tonnes of contained nickel has been estimated by AMC Consultants Pty Ltd as currently existing in the tailings of the Kambalda and Mt Keith mines, while 522,082 tonnes of nickel is expected to make its way into the tailings of all three mines during their remaining operational lives.

Long term, in addition to slag and tailings dump toll treatment, ConRoast will be used to process the ore at Tjate, while processing of nickel sulphide residues at BHP Billiton's Leinster, Kambalda and Mount Keith mines should begin. Being able to process Tjate's ore in-house will not only save Jubilee time and money but also offer superior recovery rates and lower emissions which will further enhance the project's economics.

Strategy

The vertical integration provided by the impending addition of Braemore is the envy of capitalised peers and gives Jubilee a cash flow profile which will enable it to reduce its reliance on external assistance for funding its development plans. At an operational level, securing access to tailings dumps is a high priority for Jubilee and the upgrade of Braemore's ConRoast smelter to a 10MW furnace goes hand in hand with this search. The Madagascan projects will be maintained as greenfield exploration sites whilst in the near-term money and priorities are focused elsewhere.

At a corporate level Jubilee is targeting the mid-cap arena, where it can expect to gain a greater institutional following and the scale necessary to bring sizeable projects into production alone. The development of Tjate will necessitate the assumption of debt, but until then Jubilee is poised to remain debt free and the cashflow generated by Braemore will make it easier for Jubilee to secure project funding for Tjate's development.

Board of Directors

Non Executive Chairman, Malcolm Burne. Having began his career as an equity analyst, before a move into financial journalism with stints at *The Financial Times* and *Telegraph*, Burne moved onto the buy-side of the investment industry with senior positions in Australia, Hong Kong and North America as a fund manager, venture capitalist and investment banker. With a mineral resource bias, Burne has sat on the board of more than 20 companies and is currently a director of a number of resource companies in Australia, Canada and the UK as well as being Non-Executive Chairman of Rivington Street Holdings, the ultimate owner of GE&CR.

Chief Executive Officer, Colin Bird. A Chartered engineer, Fellow of the Institute of Mining and Metallurgy and Certified Mine Manager in both the UK and South Africa, Bird is an industry veteran with over 40 years of mining and exploration experience. Past positions include mine management with Anglo American Coal, Mining Manager of the Selebi Phikwe nickel copper mine in Botswana, and General Manager, and subsequently Technical/Operations Director, at Costain Mining's Spanish, Argentinean and Venezuelan gold, industrial mining and coal assets.

Non Executive Director, Chris Molefe. Current Non-Executive Chairman of Merafe Resources Ltd and Non-Executive Director of Astrapak Ltd, both of which are publicly listed companies in South Africa; Molefe has over 20 years of experience in corporate banking and industry. Initially Group Human Resource Manger at Union Carbide Africa Corporation, Molefe subsequently gained the roles of Corporate Affairs Manager at Mobil Oil Southern Africa (Pty) Ltd, Executive Director at Black Management Forum, Financial Analyst at Chase Manhattan Bank, Marketing Manager at African Bank Ltd, Executive Manager at Transnet (Propnet) (Pty) Ltd, and Executive Director at Dipapatso Media (Pty) Ltd.

Technical Director, Andrew Sarosi. A member of the Institute of Mining and Metallurgy UK, mineral processing engineer and consultant Sarosi has been developing, managing, and commissioning gold, silver, tungsten, tin, copper and zinc projects in Saudi Arabia, Ethiopia, South Africa and the UK for over 35 years. Currently a consultant to the mineral resources industry and an advisor to Lion Mining Finance Ltd, Sarosi has worked as the senior metallurgist at Amax Hemerdon Ltd, commissioning engineer and mill superintendent at the Saudi Arabian Mahd Ad' Dahab Mine and metallurgical advisor and representative commissioning engineer at Mackay and Schnellmann Ltd.

Financial Controller, Raju Samtani. A member of the Chartered Institute of Management Accountants (CIMA), Samtani has held a number of Finance appointments since his professional qualification. As group financial controller at WTS Group Ltd, Samtani was appointed by the Virgin Group to oversee its investment in the company. He has held a number of Finance Manager positions for AIM-listed resource companies.

SWOT Analysis

Strengths

Total capability – Braemore gives Jubilee the total capability to take a green field project through development and into production entirely in-house and thus avoiding the expense and inconvenience of third party involvement.

Major resource – Tjate is a truly world class resource and with a controlling 63% interest in the project, Jubilee can dictate development plans and schedules.

Impending cash flows – pre-production cash flows are usually nothing but a pipedream for junior miners, but Jubilee will achieve just that when it begins treating smelter slag and then third party tailings dumps in the short-medium term.

Exclusive ConRoast access – Braemore has secured the exclusive global rights to use the ConRoast technology until the end of its patent in 2020. Being a superior treatment process to traditional methods, and with UG2 reefs forming an increasing percentage of mined platinum resources, ConRoast puts Jubilee in a position of strength.

Weaknesses

Company size – now that Jubilee is looking to develop Tjate, the level of finance required takes a major step up from exploration. While the increased funding needs are a clear sign of progress, the amount of funding required to develop Tjate is many multiples of Jubilee's current market capitalisation and thus financing could prove challenging.

Opportunities

Exploration potential – there not only remains significant upside potential at the Tjate project, but Jubilee's other prospects provide further potential to add to the resource base.

Toll treatment – while the toll treatment of third party concentrate is already firmly on the company's agenda, as ConRoast's advantages over traditional processing methods becomes better known, Jubilee can expect an exponential increase in demand.

Threats

Project risk – incorporating development and reserve/resource estimation risk, project risk exists as the difference between expected and actual operating costs, cash flow returns, ore volumes and grade of ore mined / processed. These are not unusual, but demonstrate the inherent uncertainty in the resources sector.

Market risk – includes commodity price volatility and raising the money to fund project development. Commodity prices are at the mercy of global production and economic trends, currency exchange rates and industrial demand fluctuate, while there is no guarantee that the necessary funds can be raised even if partners are brought in.

Tailings dump access – the competitive market for access to tailings dumps means that should the company fail to secure access to these resources there will be a large gap in its expected cash flows in the medium term.

Political Risk – to date South Africa has avoided the sort of majority rule problems experienced by Zimbabwe and – in the past – Mozambique. However, there are concerns that the ruling ANC party is moving in a more business-unfriendly direction.

Valuation

Our valuation of Jubilee is derived from a discounted cash flow of the Tjate platinum project, the treatment of smelter slag and third party tailings dumps, as well as the company's net cash position. Beginning with the 63% owned Tjate project, we have modelled 2.4 million tonnes of ore containing 335,000 ounces of 3PGE+AU being mined annually for 20 years beginning in the 12 months to 30th June 2014. Our assumptions have the project producing Platinum, Palladium, Rhodium and Gold split 60%, 30%, 2% and 8% respectively and, using prices per ounce of \$1,200, \$250, \$6,500 and \$900 respectively, we derive a basket price of \$997 per ounce. Cost per tonne of ore mined is assumed at \$45 (R350 at a R/USD of R7.8). Jubilee intends to raise one third of Tjate's expected \$600 million capital cost by way of the equity market however, with the valuation highly sensitive to the currently speculative issue price, we have assumed the full \$600 million is debt funded at a rate of 8% over a 10 year period beginning in mid 2011. Using a tax rate of 28% and discount rate of 10% per annum we derive a Net Present Value (NPV) of \$221 million for the Tjate project.

Our valuation of the smelter slag treatment assumes that the company achieves an operating profit of \$1.5 million in the 12 months to 30th June 2010 and \$3 million annually thereafter. At a tax and discount rate of 28% and 10% per annum respectively we derive a NPV of \$18.5 million. The treatment of third party tailings dumps is valued along similar lines with \$10 million in annual operating profit expected in and from the 12 months to 30th June 2012. Using the same tax and discount rate as the smelter slag treatments, we derive a valuation of \$52 million.

Combining these three project valuations, and adding in an estimated £19 million in net cash (post August 2009 announced £13.5 million placement), we value Jubilee at \$324 million or, at a USD/GBP rate of \$1.70, £191 million. Dividing by the 229 million number of post-Braemore acquisition shares in issue of and incorporating a secondary risk weighting of 20% to take into account permitting, funding, development and delay risks, we value the enlarged Jubilee at 67p per share. Obvious upside to our target price comes from an extended mine life and increased mining rates at Tjate, higher commodity prices and additional revenue streams such as the Australian nickel tailings projects.

Having now defined a resource at Tjate which is worthy of development, financing becomes a prominent issue. However, the expected near term cash flows from Braemore should demonstrate the company's capability and ease the need for repeated fund raisings. As such, at 36p, with a target price of 67p, our stance is **strong buy**.

Forecast Table:

Year to 30 th June	Sales (£ Million)	Pre-tax Profit (£ Million)	Earnings Per Share (p)	Price Earnings Ratio	Dividend Per Share (p)	Dividend Yield (%)
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