Jubilee Platinum*

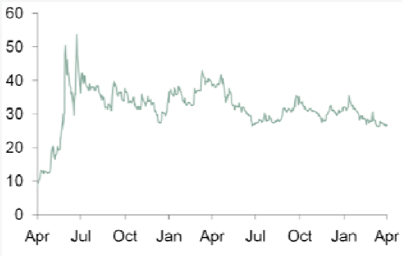
finnCap

12 April 2011

Ticker	JLP
Price	26.5p
Target Price	59p
Upside	123%
Market Cap	£68m
Index	FTSE All Share
Sector	Mining
Net Cash	£5m
Shares in Issue	257m
Next Results	Prelims - September

What's changed	**From**	**To**
Adj. EPS (f.d.)	-1.5p	
Recommendation		
Target Price	59.0p	

Share Price Performance



Source: Thomson Reuters

%	1M	3M	12M
Actual	-13.1	-16.5	-33.3
Relative	-14.6	-17.0	-37.9

Company Description
Building a mine to metals platinum business in South Africa

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Chemstof acquisition

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Jubilee has made an important strategic move upstream to capture more of the platinum value chain by acquiring a 51% interest in Chemstof, a South African company that produces chrome concentrates. We welcome this new proactive approach taken by Jubilee and believe that important steps have been taken to firstly, boost near-term cash flow starting from 1 July 2011 and, secondly, provide in-house platinum concentrates to its smelting division which significantly increases ROI. This could be the first of several pieces of positive news flow from Jubilee that relate to its ConRoast smelting division and we reiterate our sum-of-the-parts valuation of 59 pence per share.

- **Binding MOU means vendor cannot withdraw.** The terms of the deal bind the vendor into selling to Jubilee at the agreed price and earn-in agreement, though approval is needed from the JSE, the South African Reserve Bank and the Competition Commission before the deal can close, which is expected mid May.

- **Earn-in conditions ensure acquisition is value-accretive for shareholders.** The transaction allows Jubilee to pay the vendor ~£6m in three instalments. The first of these instalments is R10m (~£1m) in cash and the remaining instalments are due over the next 12 months and payable in Jubilee shares at a VWAP-related share price. The price is linked to the financial performance of Chemstof over the first year starting 1 April 2011 and is based on Chemstof making a net profit of £5.5m in this year to prevent the Chemstof's interest in the project from being diluted. Jubilee will be entitled to £2.8m of this £5.5m.

- **PGMs in for free.** By acquiring this chrome producer, Jubilee has made an important strategic move upstream and secure PGM concentrates for its ConRoast smelter business. A separate PGM concentrator will be constructed alongside the existing chrome concentrator and will cost ~£6m excluding indirect costs. We expect this PGM concentrator to be commissioned in calendar H2 2012.

- **Financial estimates unchanged pending acquisition closure.** We expect to upgrade our financial estimates for Jubilee but elect to defer this until the acquisition closes next month.

Year ending June (£m)	2010A	2011E	2012E	2013E
Data				
Revenue (£m)	1.0	6.0	10.2	33.8
EBITDA (£m)	-3.6	-2.9	1.7	10.0
PTP (£m)	-4.0	-3.8	1.1	7.8
Tax (£m)	0	0	66	33
Adj. EPS (f.d.) (p)	-1.4	-1.5	0.2	2.0
DPS (p)	0.0	0.0	0.0	0.0
Ratios				
EV/Revenue (x)	67.3	10.7	6.3	1.9
EV/EBITDA (x)	--	--	38.2	6.4
P/E (x)	--	--	180.1	13.4
Yield (%)	--	--	--	--
Cash flow Yield (%)	--	--	--	--
EPS Growth (%)	--	--	--	--

ConRoast provides an exclusive on multiple revenue stream potential

The 5.6m tonnes of mining inventory include an open pit operation and a conceptual shallow-underground mining operation, which is expected to mine MG and UG1 chromite-rich reefs down-dip of the existing open pit. At an annual production rate of 600,000 tonnes of ore, this mining inventory is sufficient for a 10 year life of mine. The chrome beneficiation plant has an annual throughput capacity of 840,000 tonnes of ore to produce approximately 175,000 tonnes of chrome in concentrate.

The main attraction in controlling a chrome miner for Jubilee is the opportunity of realising the potential value offered by the platinum group metals (PGMs). The existing chrome beneficiation plant has to date produced 500,000 tonnes in tailings that contain approximately 40,000 ounces of PGMs. We believe it would be uneconomic for any company other than Jubilee to produce a concentrate from such tailings as the low grade and high chrome content means that they would be uneconomic to smelt under a conventional off-take agreement.

The above has been consistently argued by Jubilee but it is only now, in acquiring Chemstof, that is has the means to demonstrate the potential synergies on offer as a result of owning more of the mine-to-metal value chain. By smelting these PGM concentrates using ConRoast located at Thos Begbie 200km by road to the east, Jubilee can realise a revenue stream that adds approximately 60% to the chrome revenue stream. Concentrate transportation costs have been included in the economic assessment.

Chemstof acquisition secures a presence in the Bushveld's Western Limb

The Chemstof asset is located on the Western Limb of the Bushveld adjacent to Jubilee’s Maude tailings dump which we currently ascribe zero value to pending agreement amongst the joint venture partners over the development strategy. In acquiring Chemstof, Jubilee may in future be able to book the value of the Maude tailings by using Chemstof as leverage. Other PGMs properties located on the Western Limb are being reviewed by Jubilee with a view to adding critical mass to its near-term mining operations.

Income statement					
GBP (000s)	2010FYA	**2011H1A**	2011FYE	2012FYE	2013FYE
Revenue	950	**3,567**	6,000	10,151	33,799
Cost of sales	(458)	**(2,168)**	(4,500)	(6,977)	(22,311)
Gross margin	*52%*	***39%***	*25%*	*31%*	*34%*
Administration expenses	(4,102)	**(2,131)**	(4,350)	(1,500)	(1,500)
EBITDA	(3,610)	**(732)**	(2,850)	1,674	9,989
Depreciation & amortisation	(401)	**(567)**	(1,000)	(555)	(2,222)
EBIT	(4,011)	**(1,299)**	(3,850)	1,119	7,767
Net finance income	168	**46**	100	--	--
Impairments	--	**(1)**	(1)	--	--
Other	1,615	**--**	--	--	--
PBT	(2,228)	**(1,254)**	(3,751)	1,119	7,767
Tax	--	**--**	--	(733)	(2,595)
Profit (loss) after tax	(2,228)	**(1,254)**	(3,751)	385	5,172
Profit on exchange rate	3,611	**--**	--	--	--
Total comprehensive income	1,383				
Attributable to: -					
Equity holders	(2,228)	**(1,254)**	(3,751)	385	5,172
Minority interest	--	**--**	--	--	--
EPS (LPS) (pence per share)	(1.35)	**(0.76)**	(1.47)	0.15	2.03

Source: Company reports, finnCap estimates

Cash flow					
GBP (000s)	2010FYA	**2011H1A**	2011FYE	2012FYE	2013FYE
Profit (loss) for the period	(2,228)	**(1,254)**	(3,751)	385	5,172
Depreciation & amortisation	401	**567**	1,000	555	2,222
Impairments	--	**1**	--	--	--
Working capital	(9,085)	**7,519**	3,000	(105)	(193)
Loss (profit) on sale of PPE	--	**--**	--	--	--
Net interest received	168	**46**	--	--	--
Share-based payments	1,327	**543**	--	--	--
Other	(11)	**5,220**	--	--	--
Net cash flows from operations	(9,428)	**12,642**	249	836	7,201
Purchase of PPE	(25)	**(10,406)**	(5,000)	(18,043)	(2,623)
Acquisition of power station	--	**--**	(3,000)	--	--
Proceeds from sale of PPP	47	**--**	--	--	--
Funding of deposit account for business combination	(7,652)	**--**			
Increase in loans and investments	--	**(465)**	--	--	--
Acquisition of subsidiary	223	**--**	--	--	--
Purchase of intangible assets	(888)	**(5,419)**	(1,000)	--	--
Net cash flows from investments	(8,295)	**(16,290)**	(9,000)	(18,043)	(2,623)
Proceeds from issue of new borrowings	--	**--**	--	--	--
Issue of shares and warrants	22,918	**638**	--	--	--
Net cash flows from financing	22,918	**638**	--	--	--
FX effects on cash flow	161	**--**	--	--	--
Net increase (decrease) in cash	5,356	**(3,010)**	(8,751)	(17,207)	4,577
Cash, beginning of year	7,641	**12,997**	9,987	(14,223)	(31,778)
Cash, end of year	12,997	**9,987**	1,236	(31,430)	(27,201)

Source: Company reports, finnCap estimates

Balance sheet					
GBP (000s)	2010FYA	**2011H1A**	2011FYE	2012FYE	2013FYE
Non current assets					
PPE	112	**10,406**	17,406	50,128	52,413
Intangible assets	80,706	**86,125**	87,125	87,125	87,125
Investments in associates	--	**--**	--	--	--
Other receivables	--	**--**	--	--	--
Total non current assets	80,818	**96,531**	104,531	137,253	139,538
Current assets					
Trade receivables	7,721	**3,025**	1,525	1,655	1,914
Inventory	682	**956**	1,456	1,906	2,719
Other receivables	638	**--**	--	--	--
Cash at bank and in hand	12,997	**9,987**	1,236	(31,430)	(27,201)
Total current assets	22,038	**13,968**	4,217	(27,869)	(22,568)
Non-current liabilities					
Deferred tax	16,575	**16,575**	16,575	16,575	16,575
Total non current liabilities	16,575	**16,575**	16,575	16,575	16,575
Current liabilities					
Contingent/deferred consideration	1,400	**1,400**	1,400	1,400	1,400
Payables	1,731	**4,226**	6,226	6,596	7,264
Total current liabilities	3,131	**5,626**	7,626	7,996	8,664
Net assets	83,150	**88,298**	84,547	84,813	91,730
Equity					
Share capital	2,545	**2,565**	2,565	2,565	2,565
Share premium	56,977	**57,595**	57,595	57,595	57,595
Other reserves	36,576	**42,339**	42,339	42,339	42,339
Retained earnings	(12,948)	**(14,201)**	(17,952)	(17,686)	(10,769)
Parent Interest	83,150	**88,298**	84,547	84,813	91,730
Minority Interest	--	**--**	--	--	--
Total Equity	83,150	**88,298**	84,547	84,813	91,730

Source: Company reports, finnCap estimates

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