

14 January 2011

Ticker (AIM / JSE)	JLP / JBL	
Price	31p	
Target Price	57p	
Upside	84%	
Market Cap	£80m	
Index	AIM All Share	
Sector	Mining	
Net Cash	£8.5m	
Shares in Issue	257m	
Next Results	Half year results - March	
What's changed	From	To
Adj. EPS (f.d.)	--	-1.8p
Recommendation		
Target Price	--	57p

Share price Performance



Source: Thomson Reuters

%	1M	3M	12M
Actual	+0.0	-8.1	+2.5
Relative	-3.7	-14.1	-9.7

Company Description

Building a mine to metals platinum company in South Africa

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Plat du jour

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2011 will be the year that Jubilee's industry transforming ConRoast smelting process achieves first commercial production. The £8m fundraise in June 2010 and the commercially significant MoU with Northam Platinum are important steps towards realising Jubilee's strategy to become a vertically integrated mine to metals company. On the basis of a detailed valuation of the ConRoast business model, underpinned by Jubilee's Tjate platinum project, we value the company at 57 pence per share on a 12 month basis.

- ▶ **Commissioning of first ConRoast smelter expected during Q4 2011.** Once in full production in 2012, the first 5MW smelter is expected to process 3,000 tonnes of concentrate per month realising £9m of annual operating cash flow. From 2013, when the second 5MW smelter is operating, combined annual production is expected to be 72,000 tonnes of concentrate, realising annual free cash flow of £11.4m.
- ▶ **Current ConRoast toll-smelt business model does not reflect potential acquisition value.** We have valued the planned ConRoast toll-smelt business at 9 pence per share, which includes the MoU with Northam Platinum. However, our upper case valuation of ConRoast suggests a price of 48 pence per share is possible for this part of the company should a bid situation occur. This valuation is based on a revenue model whereby concentrate is smelted as principal as opposed to toll-smelting for third parties.
- ▶ **Valuation from ConRoast to be priced in during 2011.** Our valuation of Jubilee takes into account the remaining execution risk of each project. We believe that the Tjate platinum project and the Australian nickel projects make up the current market valuation but do not see cash flow from these projects anytime soon. We therefore see the potentially highly profitable ConRoast smelting business as upside that will become increasingly recognised by investors as commercialisation unfolds and lead to a re-rating in the share price.

Year end: June (£m)	2010A	2011E	2012E	2013E
Data				
Revenue	1.0	--	10.0	33.2
EBITDA	(1.6)	(5.3)	1.6	9.8
PTP	(2.1)	(6.3)	1.0	7.5
EPS (pence)	(0.8)	(1.8)	0.1	1.5
Operating cash flow	(1.3)	(2.3)	0.8	7.0
Free cash flow	(9.2)	(6.9)	(17.3)	4.4
Capital expenditure	(7.9)	(4.6)	(18.0)	(2.6)
Ratios				
EV/Sales	--	--	6.8	2.0
EV/EBITDA	--	--	42.2	6.9
P/e	--	--	309.3	20.6

Investment summary

Jubilee Platinum's strategy is to become a vertically integrated mine to metals platinum producer by the beginning of 2014. In June 2010, £8m was raised to commission its first ConRoast smelter at its Thos Begbie site in Middelburg, South Africa. With commissioning of the first smelter now expected during Q4 2011, we believe that a 57 pence per share sum of the parts valuation is achievable on a 12 month basis.

A new vertically integrated platinum producer

The low cost ConRoast smelting process offers distinct unique selling points which allow Jubilee to embark on its strategy to become a vertically integrated mine to metals platinum producer. Whereas most platinum mining companies have historically started with a mining operation and build a smelter then a refinery, Jubilee's strategy is to smelt first, then refine and mine. We think that this strategy is achievable if sufficient quantities of concentrate can be secured for our Upper Case valuation in Table 5 as the cash flow can then subsidise the refining and mining businesses.

Thos Begbie acquisition secures platform for growth

In May 2010 Jubilee Platinum agreed to pay \$14m to Thos Begbie, a furnace fabrication and custom smelting business based on the outskirts of Middelburg, approximately 100km south of the Bushveld's Eastern limb. An initial payment of \$10m for a 70% interest has been made, with a further payment of \$4m by exercising an option by the end of 2010 giving 100% ownership. The option will now not be exercised but this does not affect future cash flow from ConRoast which remains 100% attributable to Jubilee. RST Special Metals and RST Base Metal Recovery, the subsidiaries acquired from Thos Begbie, currently produce ferro-alloy from smelters and it is at this site where the first two commercial-size ConRoast smelters will be constructed, leading to near and intermediate term cash flow.

Unlocking value through joint ventures

The MoU with Northam Platinum is the first that Jubilee Platinum has made with a company with existing smelting capacity and comes after two years of negotiation. Under the agreement, which remains in due diligence and is yet to become binding, a second 5MW ConRoast furnace is proposed to be built at the Thos Begbie site to toll-smelt UG2 concentrate from Northam's new Booyesdal underground platinum mine, located 150km away by road to the north east. Booyesdal has a resource of over 100m ounces of platinum and is set to become one of the world's largest mines of its kind when production of concentrate starts in January 2013.

Toll-smelt versus smelting concentrate as principal

Our favoured business model for ConRoast is for Jubilee Platinum to smelt concentrate as principal by signing off-take agreements with one or more platinum miners. However, initially the company has agreed to toll-smelt third party concentrate, notably from Northam Platinum, which poses less risk to the balance sheet. Our valuation shows that owning the platinum it smelts would allow Jubilee to retain more of the value that the ConRoast process delivers, resulting in a significantly higher return on investment.

Valuation unpacked

Sum of the parts values Jubilee Platinum at 57 pence per share

Our valuation of Jubilee Platinum is principally made up from its 3 business units which are the ConRoast (concentrate roast) smelting business, the Tjate platinum project and, in West Australia, the Leinster and Kambalda tailings projects.

We believe that the current market value of Jubilee Platinum is based upon the Tjate platinum project and that the value from the ConRoast smelting business is yet to be priced in. The nickel tailings projects in West Australia are now considered non core but, nevertheless have material value due to their role in potential future M&A transactions which could result in their sale.

Table 1: Sum of the parts value per share using a 10% discount rate

Project	Un-risked attributable NPV (£m)	Execution risk	Risked attributable NPV (£m)	Valuation per share (pence)
Tjate (with ConRoast)	£258	70%	£77	30
2x 5 MW ConRoast smelters* (Middelburg)	£33	30%	£23	9
Thos Begbie	£10		£10	4
Sylvania joint venture	£0		£0	0
Maude tailings	£0		£0	0
Australian nickel division	£87	70%	£26	10
Madagascar exploration	£0		£0	0
	388		£136	53
Cash			£8.5	4
Total	388		147	57

Source: FinnCap
Shares o/s: 257m
*based on toll-smelt economics

We have reduced Tjate's contribution to our sum of the parts valuation by increasing the discount rate to 10%. While we expect the value of Tjate to stay relatively flat during its development phase, further work on the feasibility study could see the execution risk to our valuation unwinding during the second half of this year. But project finance and execution remain the overriding risk factors.

Upper case valuation of at least 48 pence per share is a realistic acquisition value for ConRoast

Our upper case valuation of ConRoast in Table 5 shows the higher return on investment provided by buying concentrate from platinum mining companies and smelting it as principal. We believe that the valuation of 48 pence per share is what the ConRoast business would potentially fetch should a large platinum company wish to acquire it.

While we don't see Jubilee Platinum being acquired in the short term, the ConRoast smelting business is undoubtedly an attractive asset to a platinum company, particularly those with no current smelting capacity. Such a company would not value ConRoast using the toll-smelt model and would reap the benefits of the higher return on capital that ConRoast would provide. It is for this reason that we think investors should take a medium term view on Jubilee Platinum's potential value.

Base case valuation is a combination of toll-smelt and smelting concentrate as principal

Tables 2 and 3 show our base case valuation and free cash flow profile of the planned 2x ConRoast smelters at the Thos Begbie site. We assume that commissioning of the first smelter will start during Q4 2011, with full production being reached in 2012, and that the second smelter will start production in Q1 2013. Of the 3,000 tonnes per month capacity of the first smelter, 500 tonnes per month will be concentrates smelted as principal and the remainder we assume will be secondary concentrates produced from stocks previously regarded as unviable due to the technical challenges faced when smelting these products in a traditional platinum furnace.

Table 2: Base case valuation of 2x 5MW ConRoast smelters

Discount rate	12%	10%	8%	5%	0%
% return on Investment (IRR)	26	29	31	35	41
Un-risked NPV (\$m)	46	54	63	81	124
Remaining execution risk (%)	30	30	30	30	30
Risked NPV (\$m)	32	38	44	57	87
Risked NPV (£m)	20	23	28	36	54
Current shares o/s (m)	257	257	257	257	257
Un-risked ConRoast value per share (pence)	11	13	15	20	30
Risked ConRoast value per share (pence)	8	9	11	14	21

Source: finnCap

Table 3: Base case free cash flow profile of 2x 5MW ConRoast smelters

Year end 30 June - \$m	11E	12E	13E	14E	15E	16E	17E	18E	19E	20E	21E
Concentrate tonnes smelted as principal (000s)		2.3	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Concentrate tonnes toll smelted (000s)		11.3	48.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0
Concentrate grade (g/t)		90	90	90	90	90	90	90	90	90	90
Converted alloy tonnes sold as principal		113	300	300	300	300	300	300	300	300	300
Platinum price (\$/oz)		1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Nickel price (\$/t)		9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Copper price (\$/t)		3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
ConRoast income statement (\$m)											
Revenue	--	15.8	52.8	63.4	63.4	63.4	63.4	63.4	63.4	63.4	63.4
Gross margin	--	31%	34%	36%	36%	36%	36%	36%	36%	36%	36%
EBITDA	--	4.9	17.9	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7
Depreciation	--	(0.9)	(3.5)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
EBIT	--	4.0	14.4	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Tax paid	--	(1.1)	(4.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Net profit	--	2.9	10.3	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
ConRoast free cash flow adjustment (\$m)											
Depreciation	--	0.9	3.5	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Working capital	--	(0.3)	(0.6)	--	--	--	--	--	--	--	1.0
Capex	(16.9)	(14.2)	(4.2)	--	--	--	--	--	--	--	--
Minority interest	--	--	--	--	--	--	--	--	--	--	--
ConRoast free cash flow (\$m)	(16.9)	(10.7)	9.1	17.7	17.7	17.7	17.7	17.7	17.7	17.7	18.6

Source: finnCap

However, the possibility exists for the remaining capacity of the first smelter to be utilised by acquiring the aforementioned feed instead of toll-smelting it, which would significantly increase the return on investment. The 500 tonnes per month Jubilee Platinum currently has through an off-take agreement with a concentrate

producer represents 17.5% of the capacity of the first smelter. However, it aims to increase this to a minimum of 40% of capacity by the time full production is reached in 2012. We have only included the 17.5% of capacity in our base case valuation in Table 2 but the upside effect of smelting more concentrate as principal is shown in Table 9.

The second smelter at Thos Begbie is currently the subject of a MoU with Northam Platinum with a view to a joint venture. We think it is possible that Northam will fund half of the build cost. However, we currently assume that Jubilee will be liable for all capital expenditure relating to the second smelter.

Base and upper case ConRoast model assumptions

We have been as transparent as possible in the assumptions we have made in valuing ConRoast but the commercial sensitivity of the business model means that we are unable to publish operating cost information for the smelter, the price Jubilee could pay for concentrate feed and the price it could receive for the iron-rich alloy. The company plans to publish this information as soon as practicable.

Table 4: Base and Upper case assumptions for ConRoast valuation

	Base case	Upper case
First ConRoast smelter capacity (tpm*)	3,000	3,000
Second ConRoast smelter capacity (tpm*)	3,000	3,000
Concentrate toll-smelted (%)	82.5	0
Concentrate smelted as principal (%)	17.5	100
Power requirement per smelter (MW)	5MW	5MW
ConRoast smelter life (years)	10	10
Platinum price (\$/oz)	1,700	1700
Nickel price (\$/t)	20,000	20,000
Copper price (\$/t)	8,000	8,000
Platinum grade in prill split (%)	60	60
Concentrate grade (g/t)	90	90
Rand US Dollar FX	6.8	6.8
Concentrate to alloy conversion (%)	6	6
Capital cost for first smelter (Rm)	115	115
Capital cost for second smelter (Rm)	125	125
South Africa corporation tax (%)	28	28
South Africa precious metal royalty (%)	3	3
South Africa base metal royalty (%)	2	2
Mintek royal on EBITDA (%)	1.5	1.5

Source: finnCap
*tonnes per month

Other than capital expenditure, the only difference between our base case and upper case models is the ratio of concentrate toll-smelted to concentrate smelted as principal. Both models assume that an unconverted iron-rich alloy will be produced but the upper case model assumes that Jubilee receives 100% of revenue from the alloy sold. No in-house refining capability is assumed at this stage.

We are assuming that the toll-smelt charge payable to Jubilee Platinum by Northam Platinum will be approximately 1% of revenue from a tonne of concentrate feed. Jubilee may also be entitled to retain ownership of a small percentage of PGMs.

Risks to our ConRoast valuation

Beside geopolitical, commodity and currency risks, the possibility of delays and of capex and operating costs being materially different than currently envisaged, arguably the biggest risk to our valuation is the off-take terms offered to Jubilee by local refiners to take the iron-rich unconverted alloy produced by the ConRoast smelting process.

Our upper case valuation of the ConRoast business assumes that the iron-rich alloy is processed by a South African based local refiner but this will only be the case if such a refiner has spare capacity. Jubilee is currently negotiating these terms from local refiners while the Carbonyl refining process is being developed in conjunction with CVMR of Toronto. A substantial amount of credibility rests on the current MOU with Northam Platinum becoming a binding joint venture agreement. We believe that the signing of this agreement would significantly attenuate this risk. We expect further news on the MOU during Q1 2011.

A further material risk to our upper case valuation is that Jubilee is unable to secure off-take on favourable terms from concentrate producers. The current rigid structure of the South African platinum industry presents a significant barrier to entry for Jubilee and, although the recovery premium obtained through ConRoast smelting chrome-rich concentrate from the UG2 reef has now been commercially accepted, there may be a reluctance to provide such concentrates to Jubilee to allow it to develop its business model.

Long lead time items for the first ConRoast are expected to be ordered during Q1 2011. These items will now be sourced in South Africa which may increase capital expenditure above our R115m estimate. Any delay in these items being ordered or delivered may delay the commissioning now scheduled for Q4 2011. Although the engineering and design study will have tightened the specification for the ConRoast smelter, any error in fabrication may lengthen our assumed 6 month commissioning phase and lead to production underperforming capacity.

At the time of acquisition, the Thos Begbie site had all the necessary permits to allow two ConRoasts to operate. However, since then, responsibility for environmental permitting in South Africa has been transferred from the Department of Minerals and Energy to the the Department of Water and Environmental Affairs. In addition, the amended Air Pollution Act requires all South African businesses seeking to increase emission headroom to re-apply for permits. Jubilee Platinum has submitted the applications, together with all additional information required and has employed a dedicated liaison officer to walk the application through. Approval is expected at the end of February but, if approval is later than this, the project schedule could be delayed.

Smelting concentrate as principal increases return on investment

Our upper case valuation for ConRoast in Table 5 assumes that Jubilee Platinum will utilise 100% of capacity by smelting concentrate as principal. Our modelling of ConRoast shows that the ability to buy concentrate and sell an iron-rich alloy significantly increases the return on investment.

Table 5: Upper case valuation of 2x 5MW ConRoast smelters showing a higher ROI when smelting concentrate as principal

Discount rate	12%	10%	8%	5%	0%
% return on Investment (IRR)	81	84	88	93	103
Un-risked NPV (\$m)	173	196	224	274	392
Current shares o/s (m)	257	257	257	257	257
Un-risked ConRoast value per share (pence)	42	48	54	67	95

Source: finnCap

Table 6: Upper case free cash flow profile of 2x 5MW ConRoast smelters showing a higher ROI when concentrate is smelted as principal

Year end 30 June - \$m	11E	12E	13E	14E	15E	16E	17E	18E	19E	20E	21E
Concentrate tonnes smelted as principal (000s)		13.5	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0
Concentrate tonnes toll smelted (000s)		--	--	--	--	--	--	--	--	--	--
Concentrate grade (g/t)		90	90	90	90	90	90	90	90	90	90
Converted alloy tonnes sold as principal		675	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Platinum price (\$/oz)		1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Nickel price (\$/t)		9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Copper price (\$/t)		3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
ConRoast income statement (\$m)											
Revenue	--	55.4	296.6	297.8	297.8	297.8	297.8	297.8	297.8	297.8	297.8
Gross margin	--	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
EBITDA	--	11.4	61.9	63.0	63.0	63.0	63.0	63.0	63.0	63.0	63.0
Depreciation	--	(0.9)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
EBIT	--	10.6	57.2	58.3	58.3	58.3	58.3	58.3	58.3	58.3	58.3
Tax paid	--	(3.0)	(16.0)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)
Net profit	--	7.6	41.2	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
ConRoast free cash flow adjustment (\$m)											
Depreciation	--	0.9	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Working capital	--	(1.2)	(3.7)	--	--	--	--	--	--	--	4.9
Capex	(16.9)	(14.2)	(4.2)	--	--	--	--	--	--	--	--
Minority interest	--	--	--	--	--	--	--	--	--	--	--
ConRoast free cash flow (\$m)	(16.9)	(6.9)	38.1	46.7	46.7	46.7	46.7	46.7	46.7	46.7	51.5

Source: finnCap

We see the smelting concentrate as principal model as the medium to long term objective of Jubilee Platinum. The extent to which this model becomes material to our valuation depends on the amount of concentrate the company can buy and smelt as principal. The MOU with Northam Platinum accounts for 100% of the second ConRoast but 82.5% of the capacity of the first smelter, currently assumed to be toll-smelt, could be more profitably utilised if off-take can be negotiated (see Table 9).

We believe that the catalyst for our upper case model in Table 5 to become material will be either a bid approach or further news flow on the joint venture with Sylvania Resources and on future agreements with platinum mining companies that enable concentrate to be purchased and smelted.

Jubilee Platinum has decided not to exercise its call option to acquire the 30% of Thos Begbie Holdings it does not already own and the option has now expired. The company is already compliant with South Africa's Black Economic Empowerment (BEE) laws through agreements concerning the Tjate and Maude

Tailings projects. This means that a local BEE partner will not be needed for the smelting division.

Toll-smelt model reduces operating cost sensitivity

We have carried out sensitivity runs on our model of ConRoast to determine the critical variables driving the valuation. In common with other platinum smelters, our findings show that operating costs are the biggest sensitivity. The price of platinum is also a key sensitivity but this varies in significance according to the platinum grades in each batch of concentrate. We have assumed that platinum will make up 60% of the concentrate.

The terms of the proposed toll-smelt agreement with Northam Platinum are confidential but based on our knowledge of tolling agreements in the gold industry, we expect that the toll-charge will be index-linked and that Jubilee Platinum may retain ownership of a small percentage of the metal smelted.

Future gas price inflation expected to be significantly lower than coal

As power consumption typically accounts for approximately 40% of operating costs for a platinum smelter, we would expect this to also be a key sensitivity and Table 7 verifies this. The acquisition of the Thos Begbie site means that 10MW out of the total 16MW site capacity is generated from gas currently charged at an approximate 30% premium to this year's Eskom commercial winter tariff.

Table 7: Impact of operating cost and commodity price variation on ConRoast toll-smelt valuation

Risked share price (pence)		Opex variation (%)							
		-30%	-20%	-10%	0%	10%	20%	30%	
4E basket price variation	1,001 -30%	12	10	9	8	6	5	4	
	1,144 -20%	13	11	10	9	7	6	5	
	1,287 -10%	14	12	11	9	8	7	5	
	1,430 0%	14	13	11	9	9	8	6	
	1,573 10%	15	14	13	11	10	9	7	
	1,716 20%	16	15	13	12	11	9	8	
	1,859 30%	17	16	14	13	12	10	9	

Source: FinnCap

The advantage of having gas power capability could become more significant in future as Eskom's annual tariff hikes of 27% erode coal's competitive advantage. Unlike the Eskom tariff, gas prices in South Africa are linked to an energy price-related European Index and have escalated by an average 4.5% over the past two years. Unless higher oil prices increase the European index sharply above expectations, we expect future gas increases to be similar to those of the past in percentage terms.

The pending R27m (£2.6m) acquisition of the remaining 51% of Power Alt, the company owning the gas-fired power station located on the Thos Begbie site, will enable Jubilee Platinum to offset the cost of operating its ConRoast furnaces in the short term by continuing to supply gas-fired power to the existing Thos Begbie fabrication business.

A weaker Rand would improve operating margins

We have valued ConRoast using a flat Rand Dollar exchange rate of R6.80 over the approximate 10 year life of the smelters and have found foreign exchange to be another significant sensitivity driving the valuation.

Table 8 shows that a weaker Rand and higher platinum prices are the optimum economic scenario for ConRoast, as indeed it is for the rest of South Africa's platinum industry.

Table 8: Impact of currency and commodity price variation on ConRoast valuation

Risked share price (pence)			Currency Rand / Dollar						
			4.76 -30%	5.44 -20%	6.12 -10%	6.80 0%	7.48 10%	8.16 20%	8.84 30%
4E Basket price variation	1,001	-30%	6	6	7	8	8	9	10
	1,144	-20%	6	7	8	8	9	10	11
	1,287	-10%	7	8	9	9	10	11	12
	1,430	0%	7	8	9	9	11	12	13
	1,573	10%	8	9	10	11	12	13	14
	1,716	20%	9	10	11	12	13	14	16
	1,859	30%	9	10	12	13	14	15	17

Source: FinnCap

Toll-smelt versus smelting concentrate as principal

Under the terms of the MoU with Northam Platinum announced on 15 July, a second 5MW ConRoast smelter is proposed to be built at the Thos Begbie site and used to toll-smelt UG2 concentrate from the Booyendal mine starting from the beginning of 2013. However, this start date has yet to be officially confirmed. Our analysis shows that, although toll-smelting concentrate has higher operating margins and a lower working capital outlay than smelting it as principal, the return on investment is significantly less.

The toll-smelt agreement with Northam would account for all the capacity of the second smelter thus reducing the possibility to increase return on investment. Currently, 17.5% of the first smelter's capacity is taken up by off-take agreements with other producers. As Table 9 shows, the value of production from the two 5MW smelters, in terms of value per share, would increase if additional concentrate were smelted as principal. The company would be able to fill the capacity of the first smelter through additional toll-smelt contracts, but it is the ownership of the concentrate through off-take that provides a higher ROI.

Table 9: Valuation of 2x 5MW ConRoast smelters showing upside as more concentrate is smelted as principal for the initial ConRoast smelter not subject to the MOU with Northam Platinum

	Concentrate smelted as principal (tonnes per month)				
	500	1,200	1,800	2,400	3,000
	17.5%	40%	60%	80%	100%
Risked 0.7x valuation per share (pence)	9	12	15	17	20

Source: FinnCap

We think that Jubilee Platinum's decision to build two 5MW ConRoast smelters operating in parallel with a common roaster and converter is a more risk-averse approach than a single 10MW smelter as it reduces the risk of a working capital blow out should the smelter have to be unexpectedly shutdown.

Concentrate feed is essentially a fixed operating cost

A typical off-take agreement in the platinum industry contains a sliding scale of payments depending upon the grade of the concentrate and the presence of deleterious elements such as chrome that reduces smelting economics. The impact of the sliding payment scale means that, in our view, the purchase of concentrate is essentially a fixed cost to the smelter. We find that a higher concentrate grade makes only a marginal difference to our valuation.

We see ConRoast's main advantage as being its capability to obtain a recovery premium from concentrates containing high chrome content, which would normally attract penalties under off-take agreements with 6-in-line or circular AC smelters. The higher the chrome content, the more severe the penalties to the point that it becomes uneconomical for the mining company to sell it. The results of our financial modelling show that concentrate grade and payability is less significant under the toll-smelt model as Jubilee Platinum does not own the concentrate.

Potential base metal revenue makes an important contribution to project economics when smelting and refining concentrate as principal.

Under the toll-smelt model, we are assuming that no material revenue will be derived from nickel, copper and cobalt. But under the smelting concentrate as principal model, the base metal credits become significant, especially when further value is added from the carbonyl refining process.

Table 10: Base metals contribution to ConRoast valuation over life of 2x 5MW smelters when smelting concentrate as principal

	Un-risked NPV (US\$m)
Estimated valuation with nickel and copper credits	196
Estimated valuation without nickel and copper credits	120

Source: FinnCap

The carbonyl chemical vaporisation refining process is already being used by the Sudbury nickel mines and by Norilsk in Russia but is not currently used in South Africa's platinum industry. Under this process, the unconverted iron-rich alloy

produced by the ConRoast process and after atomisation, is chemically vaporised and separated to produce nickel, cobalt, and iron powders and a copper-rich high grade PGM alloy.

In its operations update announced on 29 December 2010, Jubilee Platinum announced the completion of a feasibility study on the application of the Carbonyl process to refine ConRoast alloy. Assuming that Jubilee gives the go-ahead to construct a refinery at Thos Begbie in Q1 2012, we expect the build time to be 18 months and cost US\$35m. But, as Jubilee Platinum is the first company to trial the Carbonyl process within the South African platinum industry, project execution risk may be higher than usual and capex may be significantly higher than our current estimate.

The results of the feasibility study show that a refinery processing 2,400 tonnes per year of alloy increases the value of the unconverted iron-rich PGM alloy to Jubilee Platinum by 23.4%. The main drivers from this uplift in value come from the sale of nickel, cobalt and iron powders at at least spot prices instead of 80% payability assumed in our Upper Case valuation in Table 5. For the nickel powder, a premium could apply due to high specialised demand from the steel-coating industry. The process would also enhance the value of the copper-rich PGM alloy which would be simpler and cheaper to refine by a third party.

For the uplift in value from the Carbonyl refining process to become material to Jubilee, we are assuming that the company must own the majority of the alloy produced by the ConRoast process. As a result, we are not including the potential uplift in revenue stream value from the refining in our Upper Case valuation until the company has formally committed to build the refinery and has secured additional off-take agreements for concentrate.

Shared infrastructure skews capex split towards second ConRoast

Our capex estimate of R100m for construction of the first ConRoast smelter includes the cost of establishing smelter-related infrastructure thus potentially reducing the cost of the second smelter. An independent engineering and design study to de-risk the construction process has been completed and long lead items for the furnace are expected to be ordered in January. As of the end of 2010, we estimate Jubilee Platinum having approximately £11m in cash.

The company currently envisages that a single roaster and converter will service both ConRoast smelters. But the converter, used to remove the iron from the alloy post smelting, may not be necessary if it can be processed offsite by the concentrate owner. Trials have started to upgrade an existing roaster which the engineering study has evaluated. The absence of a roaster to remove the sulphur prior to smelting does not prevent the ConRoast smelter from operating as test work showed the Mintek smelter achieving high recoveries on sulphur-rich feed despite not having a roaster. But it does mean that a higher percentage of the sulphur will report to the alloy initially and the corrosive effect of sulphur-rich alloy may shorten the life of the furnace.

We have assumed that the second smelter is built at Thos Begbie and acknowledge that the R140m capex could be split 50/50 between Northam and Jubilee in return for exclusive access under a tolling agreement. But we have not assumed this as there remains a possibility that the second smelter is built on location at the new Booyendal mine. If this transpires, our capex assumptions may be materially different.

Framework agreement with Sylvania Resources expanded

Under the binding framework agreement signed with Sylvania Resources in February 2010, a jointly owned mining company and a smelter company 70% controlled by Jubilee Platinum will be created. The idea is that both Jubilee Platinum and Sylvania Resources will vest tailings projects into the mining company and that Jubilee Platinum will build up to three ConRoast smelters to process the concentrates produced.

An extension of this agreement was signed in November 2010 to study the feasibility of constructing an initial 5MW smelter and refining complex for Sylvania's Volspruit project on the Bushveld's Northern limb. Under the terms of this agreement, a scoping study is expected to be completed by the end of February 2011 and, if the outcome is to the satisfaction of both parties, a new jointly-owned company will be created. The new company will conclude a pre-feasibility study costing £180,000 by the end of May 2011. A bankable feasibility study will then be completed by the end of January 2012 costing £445,000.

We think that the viability of Sylvania's Volspruit project hinges on the ConRoast smelting process as the concentrate produced from the low grade, palladium-rich ore, will not be of a high enough grade for conventional smelters to smelt.

Sylvania framework agreement not currently material but demonstrates ConRoast's scalable potential

We have not valued the Volspruit mining project and have not taken a view on the project's potential revenue attributable to Jubilee. However, in Table 11, we demonstrate the scalability of the ConRoast business model by including a conceptual valuation of a 5MW smelter under 'toll-smelt' and 'smelt as principal' economic conditions.

Table 11: Conceptual un-risked valuation of a 5MW ConRoast smelter

	1xNPV (£m)	Share price (p)	ROI (%)
100% toll-smelting concentrate	12	5	17
100% smelting concentrate as principal	61	24	64

Source: finnCap

The assumptions used to create these conceptual models are identical to those listed in Table 4. We have used a 10% discount rate, assumed that production will start in calendar Q1 2012 and have not assumed any refining. We have also assumed that Jubilee will be liable for all of the R140m capex and receive all of the cash flow.

Eventually, the Volspruit project could potentially require multiple 5MW ConRoast smelters and dedicated refining capacity. However, at this early stage, we are unable to determine how many with any accuracy.

Based on the conceptual smelt as principal model, if we assumed that a 5MW ConRoast was built at Volspruit and run as a profit centre split on a 50/50 basis, half of the NPV would theoretically be attributable to Jubilee. We believe that the agreement has the potential to unlock considerable value to both sets of shareholders but, for now, we are not valuing it as material for Jubilee as no technical or economic studies have yet been completed for the smelting and refining project.

Feasibility studies continue to de-risk Tjate

The 63%-owned Tjate platinum project located on the Bushveld's Eastern limb is one of the largest undeveloped projects of its kind in the world. Located down dip from Impala's Marula project and Anglo Platinum's Twickenham project, considerable capital expenditure and time will be needed before the potential underground mine can deliver steady state production and free cash flow.

In March 2010, Jubilee Platinum engaged Snowden, a respected firm of consultants, to carry out an engineering, financial and environmental assessment of Tjate's 'first mine' indicated and inferred resource of 132 million tonnes containing 25 million ounces 6PGE+Au. The latest drilling results announced on 29 December, showed continuity of grade and suggests that a significant part of the existing inferred resource can be upgraded to the indicated classification to enable economic assessment. This economic assessment is due for completion later this year.

New Order Prospecting Rights at Tjate expire on 11 June 2011 and the company intends to replace them before expiry with an application for New Order Mining Rights (NOMR). The award of NOMR is a strong endorsement that the project is compliant from a BEE viewpoint and may expedite a trade sale. However, the application process is very longwinded and, to date, only a handful of such projects in the development stage have been awarded these rights.

Table 13: Base case valuation of Tjate platinum project

Discount rate	12%	10%	8%	5%	0%
% return on Investment (IRR)	13	16	18	22	30
Un-risked NPV (\$m)	269	412	617	1,112	2,977
Execution risk (%)	70	70	70	70	70
Risked NPV (\$m)	81	124	185	334	893
Risked NPV (£m)	50	77	116	209	558
Current shares o/s (million)	257	257	257	257	257
Un-risked value per share (pence)	65	100	150	270	724
Risked value per share (pence)	20	30	46	82	220

Source: finnCap

Table 12: Base case free cash flow profile for Tjate platinum project

Year end 30 June - \$m	12E	13E	14E	15E	16E	17E	18E	19E	20E	21E	22E	23E - 36E
Production assumptions												
Tonnes Milled (million)	--	--	--	1.2	1.6	2.0	2.4	2.4	2.4	2.4	2.4	34
6PGM+Au head grade	--	--	--	5.94	5.94	5.94	5.94	5.94	5.94	5.94	5.94	5.94
Concentrate tonnes (000s)	--	--	--	30.8	40.0	52.3	61.5	61.5	61.5	61.5	61.5	862
Concentrate grade (g/t)	--	--	--	200	200	200	200	200	200	200	200	200
Converted alloy tonnes	--	--	--	262	340	445	523	523	523	523	523	7,324
Platinum price (\$/oz)	--	--	--	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Income statement (\$m)												
Revenue	--	--	--	257	334	437	514	514	514	514	514	7,191
Operating costs	--	--	--	(104)	(136)	(140)	(131)	(131)	(131)	(131)	(131)	(1,840)
Royalties	--	--	--	(7)	(10)	(13)	(15)	(15)	(15)	(15)	(15)	(207)
<i>Gross margin</i>	--	--	--	56%	56%	65%	72%	72%	72%	72%	72%	72%
EBITDA	--	--	--	145	189	284	367	367	367	367	367	5,145
Depreciation	--	--	--	--	(20)	(27)	(31)	(31)	(31)	(31)	(31)	(438)
EBIT	--	--	--	145	168	258	336	336	336	336	336	4,707
Tax paid	--	--	--	(41)	(47)	(72)	(94)	(94)	(94)	(94)	(94)	(1,318)
Net profit	--	--	--	104	121	185	242	242	242	242	242	3,389
Free cash flow adjustment (\$m)												
Depreciation	--	--	--	--	20	27	31	31	31	31	31	438
Working capital	--	--	--	(7)	(2)	(2)	(1)	--	--	--	--	12.2
Capex	(25)	(88)	(149)	(242)	(256)	(3)	(3)	(3)	(3)	(3)	(3)	(41.2)
Minority interest	--	--	--	(39)	(45)	(69)	(90)	(90)	(90)	(90)	(90)	(1,254)
Tjate attributable FCF (\$)	(25)	(88)	(149)	(183)	(161)	138	179	181	181	181	181	2,544

Source: finnCap

Our current risked valuation of Tjate, at 30 pence per share, reflects the strong Rand and the unlikely prospect of project finance being immediately forthcoming to pay for mine construction once the feasibility study has been completed. Tjate is a strong project and could be an important bargaining chip to be played if Black Empowerment law is amended to enable much needed consolidation across the Bushveld. But the resource needs further de-risking and economic studies undertaken before more value can be assigned.

Australian nickel projects now considered non core

Since the acquisition of Braemore Resources, little work has been undertaken on the nickel tailings projects in West Australia and we now consider them non-core. Their eventual sale is a possibility and our risked valuation approximately equals expenditure to date. The Australian dollar denominated cost structure is the overriding factor negatively influencing the value of these projects.

Table 15: Base case valuation of Leinster and Kambalda nickel projects

Discount rate	12%	10%	8%	5%	0%
% return on Investment (IRR)	3	5	7	10	15
Un-risked NPV (\$m)	76	140	224	402	929
Remaining execution risk (%)	70	70	70	70	70
Risked NPV (\$m)	23	42	67	121	279
Risked NPV (£m)	14	26	42	75	174
Current shares o/s (million)	257	257	257	257	257
Un-risked value per share (pence)	18	34	54	98	226
Risked value per share (pence)	6	10	16	29	68

Source: finnCap

Table 14: Free cash flow profile of Leinster and Kambalda (L&K) nickel tailings projects														
Year end 30 June – US\$m	13E	14E	15E	16E	17E	18E	19E	20E	21E	22E	23E	24E	25E	26E
Production assumptions														
Tonnes Milled (million)	--	7.0	8.1	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Nickel head grade - Leinster (%)	--	0.6	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Nickel head grade - Kambalda (%)	--	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Nickel sulphide product (tonnes 000s)	--	42	42	43	43	43	43	37	36	36	36	36	36	36
Nickel sulphide product grade (%)	--	60	60	60	60	60	60	60	60	60	60	60	60	60
Nickel price (\$/lb)	--	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Income statement (US\$m)														
Revenue	--	356	351	363	363	363	363	310	302	302	302	302	302	302
Operating costs	--	(180)	(178)	(183)	(183)	(183)	(183)	(165)	(162)	(162)	(162)	(162)	(162)	(176)
<i>Gross margin</i>	--	49%	49%	50%	50%	50%	50%	47%	46%	46%	46%	46%	46%	41%
EBITDA	--	176	173	180	180	180	180	146	139	139	139	139	139	125
Depreciation	--	(51)	(60)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)
EBIT	--	125	113	118	118	118	118	84	77	77	77	77	77	63
Tax paid	--	(31)	(28)	(30)	(30)	(30)	(30)	(21)	(19)	(19)	(19)	(19)	(19)	(16)
Net profit	--	94	85	89	89	89	89	63	58	58	58	58	58	47
Free cash flow adjustment (US\$m)														
Depreciation	--	51	60	62	62	62	62	62	62	62	62	62	62	62
Working capital	--	(10)	0	(0)	--	--	--	1	0	--	--	--	--	9
Capex (\$m)	(727)	(4)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Minority interest	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Free cash flow (US\$m)	(727)	131	139	145	145	145	145	121	115	114	114	114	114	112

Source: finnCap

Thos Begbie ferro-alloy business valued at acquisition cost

Included in the Thos Begbie acquisition are 2x 2.5MVA AC arc furnaces and a multipurpose 5MW furnace. The two arc furnaces are not suitable for processing PGM concentrates as, unlike the reduction ConRoast furnace, they are not designed to separate valuable metal and waste in concentrate using a matte (valuable metal) and slag (waste) phase. But Jubilee continues to examine the feasibility of converting the multipurpose furnace for use as the first ConRoast furnace.

We currently value the existing ferro-alloy business at Thos Begbie at the \$14 million cost of acquisition.

Madagascar exploration not material at this time

Despite promising early stage exploration results, we did not expect the company to commit to further exploration in Madagascar for the foreseeable future other than the small cost of licence maintenance and a limited drilling programme. However, the company has reviewed its participation in the Ambodilafa project, in conjunction with its JV partners Mineral Resources Sarl and Impala Platinum, and has decided to extend the time period pertaining to Impala's earn-in right to a 51 % interest to 4 April 2012.

Jubilee has divested its Londokomanana, Lavatrafo, Belobaka and Bebaso projects following a review of all the exploration data and has not renewed the annual licence fees, which have increased by more than 200% over the previous year's fees. Drilling at Ambodilafa is ongoing and the results are expected in Q1 2011.

Maude tailings project needs a resource statement and development strategy before value can be assigned

The Maude tailings project covers 600 hectares and is located on the Western limb of the Bushveld to the west of the town of Brits and approximately 250km from the Thos Begbie site in Middelburg. Jubilee Platinum owns 91% of the technically BEE compliant project in that Jubilee has acquired preference shares from BEE partner K-Plats who holds 26% equity in Maude. The K Plats preference shares give Jubilee the right to all dividends and distributions that K-Plats declare and or pay to its shareholders and to equal representation on the K-Plats board.

The project holds new order prospecting rights for PGMs on various portions of the farms Bokfontein and Elandsdrift and the chrome rights to one portion on Elandsdrift. Earlier exploratory shallow drilling identified the UG1 low-PGM bearing chromitite reef on Bokfontein but did not find a similar shallow chromitite layer at its first line of drilling down dip at Elandsdrift.

The company estimates that the Maude project has potential access to about 1 million tonnes of chrome tailings grading 1.5 to 2.5 g/t of PGMs. However, the exact grade has yet to be confirmed by an independent resource estimation and a development strategy for the project has yet to be formulated.

The Company, following a recent review of the strategic value of the properties has entered into informal discussions with other entities in the area that hold the chrome mining rights on the Bokfontein and Elandsdrift properties with a view to exploiting the PGMs present in both the chromite ore and the waste (including the aforementioned chrome tailings) arising from their mining and processing.

Unpacking the mine to metals strategy

Platinum industry dynamics are changing

Platinum is one of two sectors within the mining industry (aluminium being the other) dominated by a vertically integrated structure. The reasons for this are complex but could arguably stem from the Bushveld dominating global PGM production, together with the high cost of building and operating the mines and smelters, which lead to syndicate financing arrangements between mining houses to spread execution risk.

Until recently, the high cost of building new mines and smelters presented an insurmountable barrier to entry for new entrants. But the development of the new ConRoast smelting process by South African research house Mintek (exclusively licensed to Jubilee until 2020) offers a recovery premium when processing ore with high chrome content. Jubilee's strategy is to use ConRoast's unique selling points, specifically its recovery premium and lower capital and operating costs, to break into the industry by smelting, and eventually refining and mining ore that is uneconomic for other smelters to process.

Why are concentrates with high chrome content problematic for smelters?

The ageing 'six in line' or sub-merged arc AC smelters currently operating in South Africa's platinum industry were designed for smelting concentrate from the Merensky reef. The high sulphur low chrome metallurgical properties of concentrate from this reef enable the smelter to use the sulphur in the base metals to 'collect' the PGMs and produce a sulphide matte for further refinement. But the steady depletion of the Merensky reef has resulted in the need to blend a higher proportion of ore from the UG2 (Upper Group 2) reef with Merensky ore to maintain production output.

The lack of sulphides and high chrome content of ore from the UG2 reef poses two problems for conventional smelting. Firstly, the base metal sulphides collecting agent no longer exists and, secondly, the smelter would have to operate at significantly higher temperatures than normal in order to melt the chrome. Chrome has a significantly higher melting point than the sulphide rich PGMs matte. When a sub-merged arc AC smelter is operated at a higher temperature to melt the chrome, the other PGM-rich matte becomes overheated as it is now significantly higher than its melting point.

These higher temperatures have an important implication. The overheated matte becomes highly corrosive and liquid, making containment difficult inside the brick walls lining a smelter. Some large smelters have used water-cooling pipes integrated into the brick walls to try and address the problem. But this increases the safety risk as any molten matte escaping the smelter and coming into contact with water leaking from a cooling pipe is a serious explosion hazard.

A question of flexibility

It is generally agreed within the platinum industry that any new PGM smelter must have the flexibility to deal with the three requirements shown in Table 16

Table 16: The three essential features of the next generation of PGM smelter

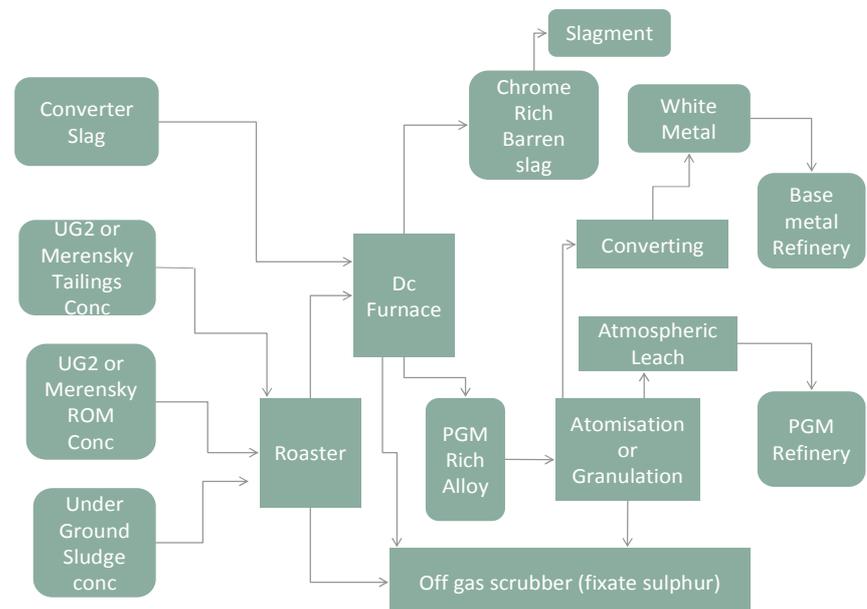
- 1 The smelting process must be capable of treating chrome-rich UG2 ore
- 2 The molten material in the furnace must be contained safely
- 3 Sulphur produced must be collected (>99%) as a by-product

Source: Jubilee Platinum

If all three requirements are not addressed, the smelter will not be suitable to treat both Merensky and UG2 ore.

We believe that the R&D smelter operated by Mintek, the South African government research house, has de-risked the ConRoast process flow sheet and created a comprehensive roadmap for commercialisation. In our opinion, the two main reasons behind Jubilee Platinum terminating its contract with Mintek were due to the relatively small size of the smelter and the high fixed cost base. Specifically, the latter relates to high energy tariffs due to Mintek's suburban location in Johannesburg and the government's keenness for a minimum labour force to be employed.

Figure 1: ConRoast process flow sheet



Source: Jubilee Platinum

Iron is the key ingredient in the process

As we discussed earlier, it is the need for higher melting temperatures to keep the chrome in the slag, relative to that of the other PGMs, that causes the matte inside the smelter to overheat. Furthermore, if only UG2 ore is smelted, the paucity of sulphur in this ore type means that there is less collecting media for the PGMs inside the furnace thus constraining the production of a sulphide matte.

Mintek discovered that adding iron into the furnace resolves both aforementioned problems. The molten iron-alloy performs the dual purpose of replacing the sulphur as the collecting media and, because the iron alloy's melting point is essentially equal to the melting point of the chrome-rich PGM slag, the iron-rich alloy melt does not become overheated and the furnace, although operating at a higher temperature, remains stable.

This means that, unlike copper and nickel sulphides whose melting points are significantly lower than chrome-rich slag, both the iron alloy phase and the slag phase can be run at or close to their melting point and not at significantly higher temperatures which causes containment issues. The ConRoast Patent includes the use of iron rich material as a PGM-collecting medium in an arc furnace, whether DC or AC.

Global patent is watertight

Normally, we approach patented metallurgical flowsheets with a degree of scepticism as a slight adjustment to the process can often render the patent effectively worthless. But, having examined the ConRoast patent, we believe it unlikely that a rival platinum smelter could adapt the flowsheet without breaching the patent.

The ConRoast patent is owned by Mintek but, under an agreement extended in 2009, Braemore Resources has the exclusive right to commercialise the flowsheet on a worldwide basis and for any metal until 2020.

Sparger cell technology is not a substitute for ConRoast

Pioneered by Northam Platinum, this is effectively a concentrate washing process. After the ore has been concentrated, the sparger cell reduces the chrome content of the concentrate by removing the liberated chrome not associated with the PGMs. But the concentrate remains very low in sulphur and base metals while un-liberated chrome remains in the concentrate after it has been washed so it is still unsuitable feed in high quantities for the conventional smelters. The reduced chrome UG2 concentrate from the sparger cells can be smelted by ConRoast.

Why closer ties with Sylvania makes sense for Jubilee

The aforementioned industry changes have also been successfully capitalised on by Sylvania Resources, which has established and grown a niche position in secondary mining chrome tailings to recover PGM into concentrate. Sylvania has successfully de-risked the process of producing a concentrate from these tailings but the concentration process still suffers from inefficiencies due to the need to minimise the chrome content to avoid triggering penalties under smelter off-take agreements with major platinum smelting companies.

If ConRoast was to smelt this concentrate, Sylvania's concentration process could be recalibrated for optimal PGM recovery free of chrome constraints. This would significantly increase ROI and is the reason why Jubilee is Sylvania's preferred partner to develop its low grade Volspruit project on the Northern limb.

But as well as tailings, other low grade PGMs still exist in situ in the LG (Lower Group) and MG (Middle Group) near-surface chromite reefs in the Bushveld. To date, these reefs have been overlooked by both the platinum and chrome

industry as the concentrate specification would not be acceptable to the smelters of concern.

An important part of Jubilee Platinum's strategy is to acquire farms within the Bushveld Complex where historical drilling has discovered low grade LG and MG reefs. The company believes that, by exploiting the recovery premium offered by ConRoast when smelting concentrate with high chrome content, these low grade LG and MG chromite reefs may become economic to mine in future. The current lack of capacity in concentrating the ore into a saleable product suggests to us that a joint strategy with Sylvania is possible.

Financials

Income statement

The high number of variables in our ConRoast model means that our revenue and cost forecasts could be subject to high variation. We will have greater certainty on some of these variables once the agreement with Northam Platinum becomes binding and when additional off-take agreements are signed to increase the amount of concentrate feed smelted as principal.

The ferro alloy business at Thos Begbie continues to operate and may produce revenue for the 2011 financial year. But we have not received guidance on this so have assumed no revenue.

Table 17: Income statement

GBP (000s)	2010FYA	2011H1E	2011FYE	2012FYE	2013FYE
Revenue	950	--	--	9,956	33,240
Operating costs	(458)	--	--	(6,853)	(21,981)
<i>Gross margin</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>31%</i>	<i>34%</i>
Administration expenses	(768)	(1,500)	(2,250)	(1,500)	(1,500)
Share-based payments	(1,328)	(2,000)	(3,000)	--	--
EBITDA	(1,604)	(3,500)	(5,250)	1,602	9,759
Depreciation	74	(600)	(1,000)	(555)	(2,222)
EBIT	(1,530)	(4,100)	(6,250)	1,047	7,537
Net finance income	155	--	--	--	--
Impairments	(2,333)	--	--	--	--
Other	1,615	--	--	--	--
PBT	(2,093)	(4,100)	(6,250)	1,047	7,537
Tax	--	--	--	(713)	(2,530)
Profit (loss) after tax	(2,093)	(4,100)	(6,250)	334	5,007
Attributable to: -					
Equity holders	(2,093)	(3,034)	(4,625)	247	3,705
Minority interest	4	(1,066)	(1,625)	87	1,302
EPS (LPS) (pence per share)	(0.83)	(1.19)	(1.82)	0.10	1.45

Source: Company reports, finnCap estimates

Balance sheet

Table 18: Balance sheet					
GBP (000s)	2010FYA	2011H1E	2011FYE	2012FYE	2013FYE
Non current assets					
PPE	4,298	3,698	7,298	40,020	42,305
Intangible assets	64,584	69,727	69,727	69,727	69,727
Other receivables	54	54	54	54	54
Total non current assets	68,936	73,479	77,079	109,801	112,086
Current assets					
Trade receivables	3,070	3,070	3,070	3,197	3,453
Inventory	553	553	553	996	1,801
Other receivables	951	951	951	951	951
Cash at bank and in hand	15,357	8,714	1,864	(30,867)	(26,868)
Total current assets	19,931	13,288	6,438	(25,723)	(20,663)
Current liabilities					
Payables	3,694	3,694	3,694	4,058	4,720
Total current liabilities	3,694	3,694	3,694	4,058	4,720
Net assets	85,173	83,073	79,823	80,020	86,703
Equity					
Share capital	2,540	2,540	2,540	2,540	2,540
Share premium	81,336	83,336	86,336	86,336	86,336
Other reserves	8,302	8,302	8,302	8,302	8,302
Retained earnings	(11,241)	(14,275)	(18,900)	(18,754)	(13,809)
Parent Interest	80,937	79,903	78,278	78,424	83,369
Minority Interest	4,236	3,170	1,545	1,596	3,334
Total Equity	85,173	83,073	79,823	80,020	86,703

Source: Company reports, finnCap estimates

Cash flow statement

Our negative end of year cash position for 2012 is very much a worst case scenario and reflects the need for additional funding to build the ConRoast smelter associated with the MOU with Northam Platinum. It is envisaged that this MOU will be on a 50/50 basis so it is possible, but not yet agreed, that Northam will part fund the build cost of this smelter. We expect the terms of the MOU to be announced during Q1 2011 where it is potentially feasible to expect some debt funding. But we are currently assuming that all future funding will be equity.

Table 19: Cash flow					
GBP (000s)	2010FYA	2011H1E	2011FYE	2012FYE	2013FYE
Profit (loss) for the period	(2,093)	(4,100)	(6,250)	334	5,007
Depreciation & amortisation	(74)	600	1,000	555	2,222
Impairments	2,333	--	--	--	--
Working capital	(1,481)	--	--	(103)	(193)
Share-based payments	--	2,000	3,000	--	--
Net cash flows from operations	(1,315)	(1,500)	(2,250)	786	7,036
Purchase of PPE	(1,300)	--	(1,600)	(18,043)	(2,623)
Acquisition of power station	--	--	(3,000)	--	--
Acquisition of subsidiary	(6,600)	(6,000)	--	--	--
Purchase of intangible assets	--	857	--	--	--
Net cash flows from investments	(7,900)	(5,143)	(4,600)	(18,043)	(2,623)
Issue of shares and warrants	8,000	--	--	--	--
Net cash flows from financing	8,000	--	--	--	--
Net increase (decrease) in cash	(1,215)	(6,643)	(6,850)	(17,257)	4,412
Cash, beginning of year	16,572	15,357	8,714	(13,610)	(31,280)
Cash, end of year	15,357	8,714	1,864	(30,867)	(26,867)

Source: Company reports, finnCap estimates

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