

26 January 2011

<b>Ticker</b>	JLP	
<b>Price</b>	32p	
<b>Target Price</b>	59p	
<b>Upside</b>	84%	
<b>Market Cap</b>	£82m	
<b>Index</b>	FTSE All Share	
<b>Sector</b>	Mining	
<b>Net Cash**</b>	£6m	
<b>Shares in Issue</b>	257m	
<b>Next Results</b>	Half year results - March	
<b>What's changed</b>	<b>From</b>	<b>To</b>
<b>Adj. EPS (f.d.)</b>	-1.8p	-1.8p
<b>Recommendation</b>		
<b>Target Price</b>	57p	59p

#### Share Price Performance



Source: Thomson Reuters

%	1M	3M	12M
Actual	+9.1	+4.8	-11.4
Relative	+8.0	+0.1	-18.6

#### Company Description

Building a mine to metals platinum business in South Africa

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\*\* includes acquisition cost of power station.

## Insulation from South African power inflation

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The £2.45m cash acquisition of a 51% interest in Power Alt, the company that owns an 11MW gas-fired power station located at Jubilee's Thos Begbie site on the outskirts of Middelburg, South Africa, is a significant step forward in the company building its first commercial scale 5MW ConRoast platinum smelter. As power makes up ~40% of operating costs for a typical smelter, we believe that the visibility this acquisition provides over the future cost profile of ConRoast will improve market confidence that other critical agreements will soon become binding. The net reduction in smelter operating costs provided by the acquisition increases our valuation of Jubilee from 57p to 59p per share on a 12-month basis.

► **Projected South African gas price inflation lower than coal.** The cost advantage of having gas-fired power is becoming increasingly significant as annual tariff hikes of 27% from Eskom, the state-owned coal power generator, are affecting the platinum sector. 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.

► **Additional gas power headroom available.** Accompanying the acquisition is a completed feasibility study and associated engineering design work to more than double power capacity to 29MW. But the current 11MW is sufficient for Jubilee to build its first 2 ConRoast commercial scale 5MW smelters. Commissioning of the first Integrated Platinum ConRoast Furnace is scheduled for Q4 2011 and, under our base case toll-smelt model, is expected to process 3,000 tonnes of concentrate per month, realising £9m of annual operating cash flow. This could increase significantly if more concentrate feed were to be smelted as principal.

► **Current ConRoast toll-smelt business model does not reflect potential acquisition value.** We have increased our valuation of the ConRoast toll-smelt business by 2p to 11p per share, which includes the MoU with Northam Platinum. However, our upper case valuation of ConRoast suggests a price of at least 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 feed is purchased and smelted as principal by Jubilee as opposed to toll-smelting for third parties.

Year ending June (£m)	2010A	2011E	2012E	2013E
<b>Data</b>				
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)
<b>Ratios</b>				
EV/Sales	--	--	6.8	2.0
EV/EBITDA	--	--	42.2	6.9
P/e	--	--	340	23

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