

**No recommendation****Price 10.5p****Mining****United Kingdom**

AIM	703
Reuters/Bloomberg	JLP
No. of shares in issue (m)	288
Market Cap (£m)	30.2
Website	www.jubileeplatinum.com

Jubilee Platinum⁺*

Four deals, still more on the cards?

Jubilee released FY2012 full-year results yesterday (Thursday, September 27th). We focus, however, on four deals also unveiled yesterday, which we believe more material at this stage. First, a binding, exclusive Memorandum of Understanding (MoU) has been agreed for the ZAR3.5m (£0.26m) acquisition of 51% of Ashbrook. Jubilee intends to extract PGMs from a chromite dump, and from current arisings generated by a chrome mine, on Ashbrook's property. Second, a Memorandum of Agreement (MoA) has been entered into with BioMetallurgical (BioMet). This gives Jubilee an exclusive 90-day option to acquire (amongst other things) a PGM matte-containing slag dump for ZAR13.3m (£1.0m). Third, Jubilee has increased its interest in the Middelburg smelting facility from 70% to 100% for ZAR2.7m (£0.2m). Fourth, a binding MOU has been entered to acquire an additional 19% of the 51%-owned power-generating subsidiary Power Alt for ZAR13.1m (£0.985m). The first two agreements, secured by leveraging Jubilee's proprietary ConRoast smelting technology, should significantly strengthen the company's mine-to-metals strategy. The latter two underline the importance of cash generation as a key differentiator separating Jubilee from explorer-developer peers, in our view. We believe there to be a strong case for a much higher valuation than currently attributed by the markets.

Cash or shares at Jubilee's election: In all four instances, Jubilee has sole discretion to pay in cash or an equivalent value of Jubilee shares. This allows the company the option of conserving cash or minimising dilution and capturing gains for shareholders, as appropriate to market conditions. Shares would be priced at the 30-day JSE VWAP preceding the two business days before issue.

FY2012 results: Jubilee reported full-year FY2012 revenues of £3.73m, of which £2.41m was generated in H2, reflecting the ramp-up of the new No.5 ferroalloys furnace. A net loss of £8.4m (2.61p/share; 2011: £7.6m, 2.67p/share) was recorded, of which £2.9m (2011: £2.5m) related to Depreciation & Amortisation.

Carpe diem – opportunities in adversity: We previously noted that Jubilee (as we expected) had been receiving more opportunities to develop its platinum group metals (PGE) mine-to-metal strategy as a result of the current strife in the South African PGE and chrome industries. We anticipated the announcement of deals as was the case today, and we suspect that yet more could be in the works.

Valuation anomaly: We have updated our model for the FY2012 results and our latest metal price forecasts but otherwise left it unchanged for the time being (Figures 1-3). Our sum-of-the-parts NPV for Jubilee of 86p/share fully diluted is significantly higher than the current share price. In our note dated April 2nd, 2012, we showed that peer average EV/oz values suggest at least c200% upside. Jubilee has been one of the better performers in the PGM space (Figure 4) but we reiterate our belief that the case for a much higher market valuation is strong.

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The deals in more detail

- **Ashbrook – retreatment of chromite dump and current arisings:** A binding, exclusive MOU has been agreed for the ZAR3.5m (£0.26m) acquisition of 51% of fully BEE-empowered Ashbrook, which holds PGM and nickel prospecting rights on a portion of a farm in the Bushveld Complex's Western Limb. The farm includes a chromite tailings dump believed to contain ("Minimum Size Requirements") at least 500kt @ 1.6g/t platinum group metals (PGMs). Jubilee intends to extract PGMs from the dump and from current arisings generated by a chrome mine on the farm. This transaction is conditional on the dump meeting the Minimum Size Requirement, satisfactory due diligence and any necessary regulatory approvals.
- **Zimbabwe – PGM-containing slag and nickel tailings dump:** A Memorandum of Agreement (MoA) has been entered into with Zimbabwean company BioMetallurgical (BioMet) that gives Jubilee the right to conduct due diligence on, and an exclusive 90-day option to acquire, surface platinum-bearing mining assets on BioMet's mining claims in Zimbabwe for ZAR13.3m (£1.0m). The assets include a slag dump (800kt estimated) containing matte (20kt estimated) believed to grade 4% Ni and 15g/t Pt, and a 6.3Mt nickel tailings dump believed to contain base metals and PGMs.
- **Outright ownership of Middelburg smelter:** Jubilee has increased its interest in subsidiary Jubilee Smelting and Refining (JSR; the holding company of its Middelburg smelting facility) from 70% to 100% for ZAR2.7m (£0.2m), under a claims settlement agreement with JSR shareholders in accordance with the JSR Shareholders Agreement.
- **Increasing share of cash-generative Power Alt:** A binding MOU has been entered to acquire an additional 19% of the 51%-owned power-generating subsidiary Power Alt for ZAR13.1m (£0.985m) in three tranches: 7.6% for ZAR5.3m (£0.395m); 9.5% for ZAR6.6m (£0.494m); and 1.9% for ZAR1.3m (£0.099m). Power Alt's profitable sale of power to South Africa's national power generating utility Eskom is expected to commence in October 2012, subject to approval by the National Energy Regulator of South Africa (NERSA).

In all four instances, Jubilee has sole discretion to pay in cash or an equivalent value of Jubilee shares, allowing the company the option of conserving cash or minimising dilution and capturing gains for shareholders, as appropriate to market conditions. Shares would be priced at the 30-day JSE VWAP preceding the two business days before issue.

Fig 1: Financial statements* - excludes electricity tender and today's deals for now

Vital Statistics		FY2011A	FY2012A	FY2013F	FY2014F
EPS	p/share	(2.67)	(2.61)	(1.00)	(0.36)
P/E	x	n.m.	n.m.	n.m.	n.m.
CFPS	p/share	(2.70)	(1.75)	0.14	1.30
P/CFPS	x	n.m.	n.m.	92.14x	9.87x
Net Debt/(Cash)**	£m	(0.73)	1.10	35.74	253.08
Average Shares OS	m	255.84	279.15	290.60	293.08
Average Shares FD	m	265.61	288.92	320.87	320.87
INCOME STATEMENT		FY2011A	FY2012A	FY2013F	FY2014F
Net Revenue	£m	5.50	3.73	13.89	21.12
Operating Costs	£m	(9.51)	(10.19)	(12.78)	(16.91)
EBITDA	£m	(4.01)	(6.46)	1.12	4.21
Depreciation & Amortisation	£m	(2.50)	(1.84)	(2.94)	(3.41)
EBIT	£m	(6.51)	(8.31)	(1.82)	0.80
Finance Income	£m	(0.50)	(0.33)	(0.16)	(0.15)
Pre-Tax Profit	£m	(7.01)	(8.64)	(1.99)	0.65
Taxes	£m	(0.58)	0.26	(0.16)	(0.81)
Minorities	£m	0.77	1.09	(0.77)	(0.90)
Attributable Net Income	£m	(6.82)	(7.29)	(2.92)	(1.06)
EPS	p/share	(2.67)	(2.61)	(1.00)	(0.36)
BALANCE SHEET		FY2011A	FY2012A	FY2013F	FY2014F
Cash & Equivalents	£m	2.01	1.06	(33.57)	(250.92)
Other Current Assets	£m	3.95	1.67	3.23	5.10
Current Assets	£m	5.96	2.73	(30.35)	(245.82)
PP&E	£m	103.58	93.80	125.64	343.15
Other	£m	0.52	0.00	0.00	0.00
Total Assets	£m	110.06	96.53	95.30	97.33
Short-term Debt	£m	1.28	2.16	2.16	2.16
Other Current Liabilities	£m	4.18	3.08	3.47	5.11
Current Liabilities	£m	5.46	5.25	5.64	7.27
Long Term Debt	£m	0.00	0.00	0.00	0.00
Other Long Term Liabilities	£m	15.28	13.42	12.78	10.89
Total Liabilities	£m	20.744	18.666	18.4156	18.1652
Shareholder Equity	£m	60.16	64.42	64.42	64.42
Retained Income	£m	(21.06)	(28.35)	(31.27)	(32.33)
Other	£m	50.21	41.78	43.73	47.07
Total Liabilities & Equity	£m	110.06	96.53	95.30	97.33
CASHFLOW STATEMENT		FY2011A	FY2012A	FY2013F	FY2014F
Net Income	£m	(6.82)	(7.29)	(2.92)	(1.06)
DD&A	£m	2.50	1.32	2.94	3.41
Other	£m	(10.09)	(0.10)	1.55	1.71
Change in Working Capital	£m	7.51	1.18	(1.17)	(0.24)
Cash Flow from Operations	£m	(6.91)	(4.89)	0.41	3.82
Capital Expenditure	£m	(3.76)	(0.79)	(40.59)	(220.92)
Other	£m	1.07	0.00	5.80	0.00
Cash Flow from Investments	£m	(2.68)	(0.79)	(34.79)	(220.92)
Equity Issues (Net of Costs)	£m	0.00	4.42	0.00	0.00
Net Borrowings	£m	0.00	0.00	0.00	0.00
Other	£m	(1.64)	(0.52)	(0.25)	(0.25)
Cash Flow from Financing	£m	(1.64)	3.90	(0.25)	(0.25)
Net Cashflow	£m	(11.23)	(1.78)	(34.64)	(217.35)
FX Adjustments	£m	0.16	0.24	0.83	0.00
Cash at End of Year	£m	2.01	1.06	(33.57)	(250.92)

* All GBP unless otherwise noted; fiscal year-end 30th June.

** FY2013 and FY2014 net debt reflects funding requirements, which could be met from equity and/or debt.

Source: Jubilee Platinum, Shore Capital estimates

Fig 2: Commodity price and exchange rate assumptions*

MODEL ASSUMPTIONS		FY2011A	FY2012A	FY2013F	FY2014F
Platinum	US\$/oz	1,708	1,604	1,649	1,688
Palladium	US\$/oz	682	673	691	950
Rhodium	US\$/oz	2,292	1,567	1,317	1,963
Nickel	US\$/t	23,968	19,292	18,188	22,322
Copper	US\$/t	8,663	8,171	8,681	10,472
GBP/USD	US\$/£	1.59	1.58	1.59	1.60
ZAR/USD	ZAR/US\$	7.00	7.79	7.97	7.25
AUD/USD	A\$/US\$	1.01	0.97	0.98	1.00

*Fiscal 30th June.

Source: Bloomberg, Shore Capital estimates

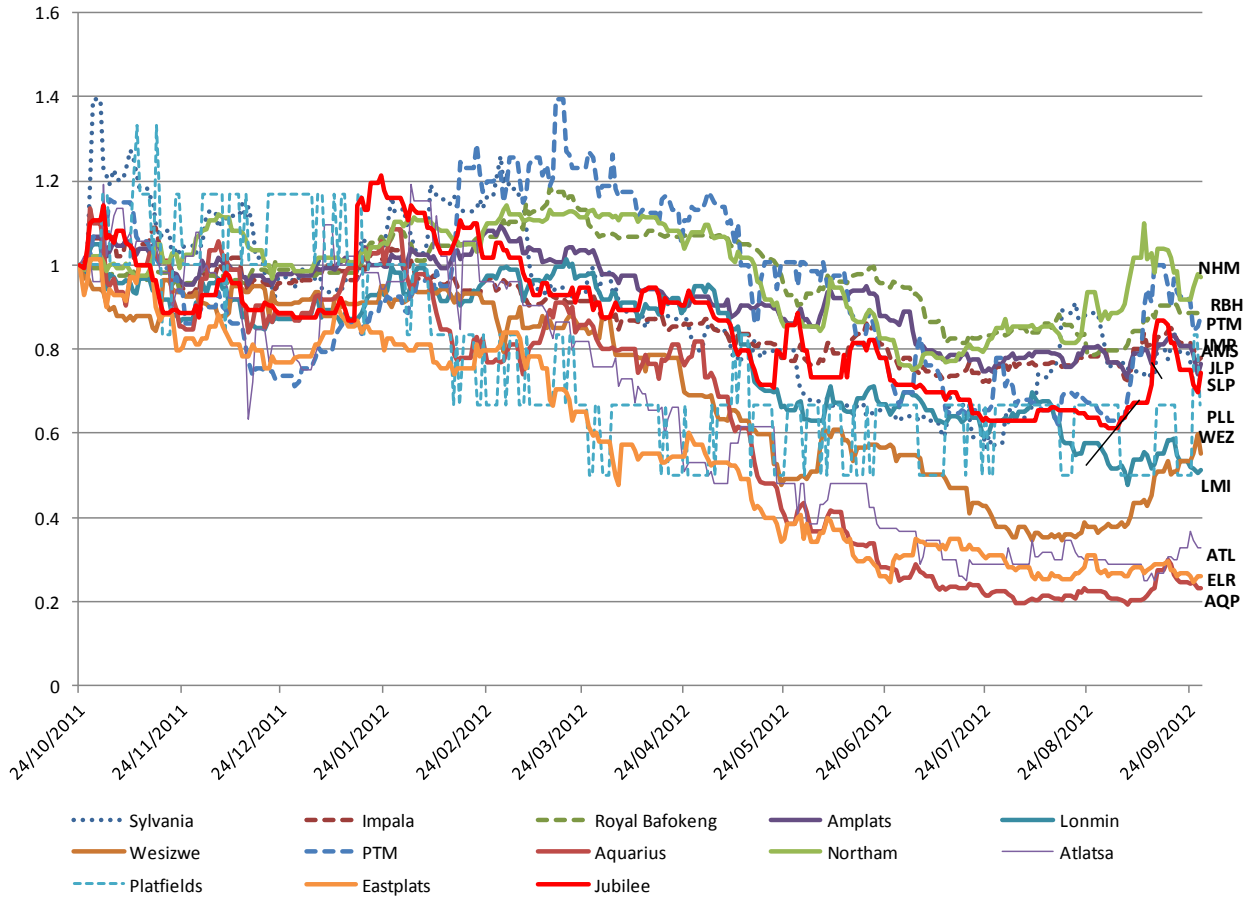
Fig 3: Sum-of-the-parts FY2013F DCF valuation - excludes electricity tender and today's deals for now

Asset	Interest	Disc. Rate	£m	£/share	%NPV
Jubilee Smelting & Refining (Ferroalloys)	70%	10%	13.3	0.04	4.3%
Braemore Platinum Smelters	100%	10%	47.8	0.15	15.6%
Tjate (with ConRoast & CVMR)	63%	10%	161.4	0.50	52.5%
Sylvania JV (Volspruit)	50%	10%	33.5	0.10	10.9%
Kambalda	100%*	10%	39.6	0.12	12.9%
Leinster	100%*	10%	11.7	0.04	3.8%
Net Operating Assets			307.3	0.96	
Cash			1.1	0.00	
Debt			(2.2)	(0.01)	
Corporate G&A		10%	(39.1)	(0.12)	
Options			4.2	0.01	
Net Asset Value			271.3	0.85	

* We assume BHP exercises its 50% buy-in rights.

Source: Shore Capital estimates

Fig 4: Since our initiation of coverage, Jubilee has been the 7th-best performer in a 16-strong peer group (13 shown)**



* Priced as of close of September 26th, 2012.

** We do not show Nkwe due to its skewing effect; Platmin has been delisted and Platinum Australia has gone into administration.

Source: Bloomberg

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