

**No recommendation****Price 11.4p****Mining****United Kingdom**

AIM	747
Reuters/Bloomberg	JLP
No. of shares in issue (m)	345.11
Market Cap (£m)	39.3
Website	www.jubileeplatinum.com

# Jubilee Platinum<sup>+</sup>\*

## PLA deal accelerates, derisks strategy

Jubilee announced that the Implementation Deed and Supporting Transactional Documents (Transactional Agreements) relating to the acquisition of Platinum Australia (PLA) had been executed. The acquisition, to be executed as a scheme of arrangement under Australian law should advance Jubilee's mine-to-metals strategy by 18 months, turning the company into a significant platinum group metals (PGM) producer from surface and shallow resources. It should also enhance Jubilee's ability to secure further opportunities in the near term. We have previously opined that the South African PGM sector is currently experiencing exceptionally "interesting times" and that Jubilee is particularly well-placed to take advantage of any fallout. The proposed PLA acquisition will be far from Jubilee's last deal, we believe. We reiterate our belief that there is a strong case for a much higher valuation than currently attributed by the market.

**PLA brings three potential shallow mines:** PLA owns 65.75% of the shallow Smokey Hills PGM mine and is earning 70% and 49% of the Rooderand and Kalahari projects, respectively - all in South Africa. Smokey Hills was an operating mine that was put on care-and-maintenance when rand metal prices were much lower than now. Jubilee plans to commence treatment of chrome tailings through the Smokey Hills plant in H1 CY2013, and potentially to restart underground mining in H2 CY2013. Geological risk, execution risk and capital requirements should all be far lower than would be the case of a brand new mine.

**All-share transaction:** Jubilee is offering PLA shareholders one Jubilee share for every 2.593 PLA shares (the new shares will be listed on the ASX). Jubilee shareholders would own 64% of the merged entity before any debt conversion, or 54.5% after conversion of 50% of the debt held by PLA's senior creditor (valued at A\$11.1m, or £7.5m). According to Jubilee, the transaction value is at a significant discount to Venmyn Deloitte's independent valuation of PLA's assets.

**Subject to Jubilee shareholder approval:** The PLA transaction is subject to Jubilee shareholders' approval. This will be sought at a general meeting in early May 2013. The transaction's effective date is expected to be mid-May 2013.

**Project-level funding to minimise dilution:** The Transactional Agreements require Jubilee to procure project funding of at least ZAR190m for Smokey Hills' re-commissioning by the date of the Jubilee shareholders' meeting. To minimise dilution of its shareholders, Jubilee is targeting project-level funding.

**Valuation anomaly:** As the transaction has still to close, our Jubilee model does not yet reflect the PLA acquisition. Our present NPV (79p/share fully diluted) is already significantly higher than the current share price. In our notes of April 2<sup>nd</sup> and September 28<sup>th</sup>, 2012, we showed that peer average EV/oz values suggest >200% upside and that Jubilee has been one of the better performers in the PGM space. We reiterate our view that the case for a much higher market valuation is strong.

**\*Shore Capital Stockbrokers Limited acts as joint broker to Jubilee Platinum.**

**Disclosures of potential conflicts of interest as required by regulatory bodies are shown on page 5**

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PLA's shallow Smokey Hills, Rooderand and Kalplats all have potential to be put into production relatively rapidly and for relatively low capital costs

Furthermore, all three would benefit from their concentrates being smelted at Jubilee's Middelburg facility

### The Platinum Australia projects

In more detail, Platinum Australia possesses the following shallow PGM projects, all of which have potential to be put into production relatively rapidly and for relatively low capital costs, in our view.

- **Smokey Hills:** Designed to produce up to 80koz 4E annually, Smokey Hills was an operating mine that was put on care-and-maintenance when rand metal prices were much lower than currently the case. Jubilee plans to commence treatment of chrome tailings through the Smokey Hills plant in H1 CY2013, and potentially to restart underground mining in H2 CY2013 assuming current metal prices (ramping up to 60koz PGE/year in CY2014).
- **Rooderand:** PLA is earning 70% of this 4Moz 4E property from Atla Mining. There is potential for a 10-year 120koz/year open pit mine, followed by 6 years' processing of low-grade ore and potentially 7 years' underground mining. Development would commence on issue of a Mining Right; however, a court interdict has requested that the Department of Mineral Resources (DMR) review the conditions under which the prospecting right was granted. We would normally expect this review to take at least a few months.
- **Kalahari Platinum (Kalplats):** A Mining Right is to be applied for Kalplats (6.7Moz PGE) in early CY2013, with development of a 100koz/year open pit mine planned to commence in late CY2014.

All three would benefit from PGE concentrate being smelted at Jubilee's Middelburg facility, leveraging the company's exclusive ConRoast process and allowing it to keep all of the smelting profits. We note that Jubilee is the only junior PGM company able to smelt its own concentrate.

Fig 1: Commodity price and exchange rate assumptions\*

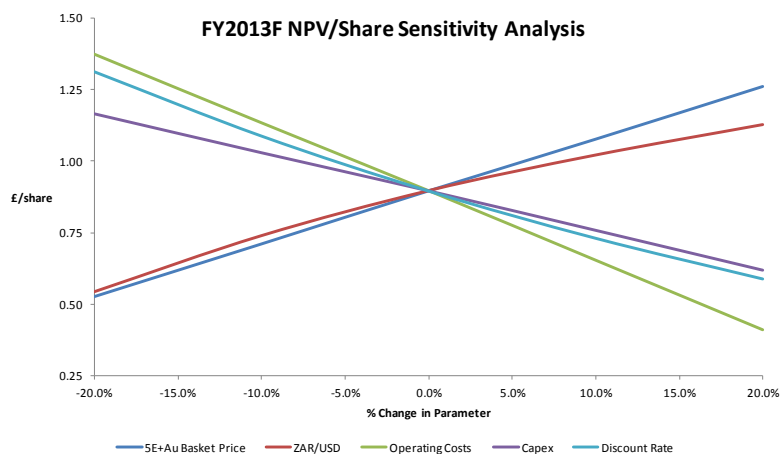
MODEL ASSUMPTIONS		FY2011A	FY2012A	FY2013F	FY2014F
Platinum	US\$/oz	1,708	1,604	1,625	1,688
Palladium	US\$/oz	682	673	688	950
Rhodium	US\$/oz	2,292	1,567	1,242	1,800
Copper	US\$/t	8,663	8,171	8,681	10,472
ZAR/USD	ZAR/US\$	7.00	7.79	8.43	7.69
AUD/USD	A\$/US\$	1.01	0.97	0.98	1.00

\*Fiscal 30<sup>th</sup> June.

Source: Bloomberg, Shore Capital estimates

Fig 2: Sum-of-the-parts FY2013F DCF valuation (not including PLA acquisition)

Asset	Interest	Disc. Rate	£m	£/share	%NPV
Jubilee Smelting & Refining (Ferroalloys)	100%	10%	25.4	0.07	8.2%
Braemore Platinum Smelters	100%	10%	36.9	0.11	11.9%
Dilokong Tailings Retreatment	67.5%	10%	5.2	0.015	1.7%
Tjate (with ConRoast & CVMR)	63%	10%	160.1	0.46	51.5%
Sylvania JV (Volspruit)	50%	10%	32.0	0.09	10.3%
Kambalda	100%*	10%	39.5	0.11	12.7%
Leinster	100%*	10%	11.7	0.03	3.8%
<b>Net Operating Assets</b>			<b>310.7</b>	<b>0.90</b>	
Cash			1.1	0.00	
Debt			(2.2)	(0.01)	
Corporate G&A		10%	(39.1)	(0.11)	
Options			4.2	0.01	
<b>Net Asset Value</b>			<b>274.7</b>	<b>0.79</b>	



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

Source: Shore Capital estimates

Fig 3: Financial statements(not including PLA acquisition)

Vital Statistics		FY2011A	FY2012A	FY2013F	FY2014F
EPS	p/share	(2.67)	(2.61)	(2.27)	(2.03)
P/E	x	n.m.	n.m.	n.m.	n.m.
CFPS	p/share	(2.70)	(1.75)	(1.21)	(0.75)
P/CFPS	x	n.m.	n.m.	n.m.	n.m.
Net Debt/(Cash)**	£m	(0.73)	1.10	15.97	124.78
Average Shares OS	m	255.84	279.15	303.48	318.83
Average Shares FD	m	265.61	288.92	333.74	346.62
INCOME STATEMENT		FY2011A	FY2012A	FY2013F	FY2014F
<b>Net Revenue</b>	<b>£m</b>	<b>5.50</b>	<b>3.73</b>	<b>8.25</b>	<b>14.52</b>
Operating Costs	£m	(9.51)	(10.19)	(11.98)	(16.40)
<b>EBITDA</b>	<b>£m</b>	<b>(4.01)</b>	<b>(6.46)</b>	<b>(3.73)</b>	<b>(1.88)</b>
Depreciation & Amortisation	£m	(2.50)	(1.84)	(2.56)	(2.77)
<b>EBIT</b>	<b>£m</b>	<b>(6.51)</b>	<b>(8.31)</b>	<b>(6.29)</b>	<b>(4.65)</b>
Finance Income	£m	(0.50)	(0.33)	(0.18)	(0.15)
<b>Pre-Tax Profit</b>	<b>£m</b>	<b>(7.01)</b>	<b>(8.64)</b>	<b>(6.46)</b>	<b>(4.80)</b>
Taxes	£m	(0.58)	0.26	(0.25)	(1.11)
Minorities	£m	0.77	1.09	(0.18)	(0.55)
<b>Attributable Net Income</b>	<b>£m</b>	<b>(6.82)</b>	<b>(7.29)</b>	<b>(6.90)</b>	<b>(6.46)</b>
<b>EPS</b>	<b>p/share</b>	<b>(2.67)</b>	<b>(2.61)</b>	<b>(2.27)</b>	<b>(2.03)</b>
BALANCE SHEET		FY2011A	FY2012A	FY2013F	FY2014F
Cash & Equivalents	£m	2.01	1.06	(13.80)	(122.61)
Other Current Assets	£m	3.95	1.67	2.40	3.46
<b>Current Assets</b>	<b>£m</b>	<b>5.96</b>	<b>2.73</b>	<b>(11.40)</b>	<b>(119.15)</b>
PP&E	£m	103.58	93.80	104.37	207.78
Other	£m	0.52	0.00	0.00	0.00
<b>Total Assets</b>	<b>£m</b>	<b>110.06</b>	<b>96.53</b>	<b>92.97</b>	<b>88.62</b>
Short-term Debt	£m	1.28	2.16	2.16	2.16
Other Current Liabilities	£m	4.18	3.08	3.51	4.51
<b>Current Liabilities</b>	<b>£m</b>	<b>5.46</b>	<b>5.25</b>	<b>5.67</b>	<b>6.68</b>
Long Term Debt	£m	0.00	0.00	0.00	0.00
Other Long Term Liabilities	£m	15.28	13.42	12.74	11.49
<b>Total Liabilities</b>	<b>£m</b>	<b>20.744</b>	<b>18.666</b>	<b>18.4156</b>	<b>18.1652</b>
Shareholder Equity	£m	60.16	64.42	66.63	66.63
Retained Income	£m	(21.06)	(28.35)	(35.25)	(41.70)
Other	£m	50.21	41.78	43.17	45.53
<b>Total Liabilities &amp; Equity</b>	<b>£m</b>	<b>110.06</b>	<b>96.53</b>	<b>92.97</b>	<b>88.62</b>
CASHFLOW STATEMENT		FY2011A	FY2012A	FY2013F	FY2014F
Net Income	£m	(6.82)	(7.29)	(6.90)	(6.46)
DD&A	£m	2.50	1.32	2.56	2.77
Other	£m	(10.09)	(0.10)	0.96	1.36
Change in Working Capital	£m	7.51	1.18	(0.30)	(0.06)
<b>Cash Flow from Operations</b>	<b>£m</b>	<b>(6.91)</b>	<b>(4.89)</b>	<b>(3.68)</b>	<b>(2.39)</b>
Capital Expenditure	£m	(3.76)	(0.79)	(18.24)	(106.17)
Other	£m	1.07	0.00	5.58	0.00
<b>Cash Flow from Investments</b>	<b>£m</b>	<b>(2.68)</b>	<b>(0.79)</b>	<b>(12.66)</b>	<b>(106.17)</b>
Equity Issues (Net of Costs)	£m	0.00	4.42	1.73	0.00
Net Borrowings	£m	0.00	0.00	0.00	0.00
Other	£m	(1.64)	(0.52)	(0.25)	(0.25)
<b>Cash Flow from Financing</b>	<b>£m</b>	<b>(1.64)</b>	<b>3.90</b>	<b>1.47</b>	<b>(0.25)</b>
<b>Net Cashflow</b>	<b>£m</b>	<b>(11.23)</b>	<b>(1.78)</b>	<b>(14.87)</b>	<b>(108.81)</b>
FX Adjustments	£m	0.16	0.24	0.83	0.00
<b>Cash at End of Year</b>	<b>£m</b>	<b>2.01</b>	<b>1.06</b>	<b>(13.80)</b>	<b>(122.61)</b>

\* All GBP unless otherwise noted; fiscal year-end 30<sup>th</sup> June.

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

Source: Jubilee Platinum, Shore Capital estimates

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