

Exciting times for emerging chrome and platinum player

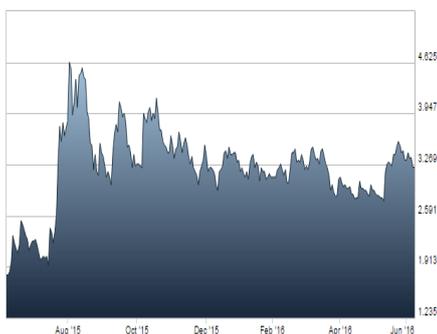
Speculative Buy

Price: 3.3p

Target Price: N/A

Sector: Metals & Mining

Share Price Performance



Source: London Stock Exchange

Key Data

Market:	AIM
TIDM:	<u>JLP.L</u>
1 Year Hi/Lo:	5.45 – 1.28
Existing Shares:	991.08m
Market Cap:	32.8m
ISIN:	GB0031852162
SEDOL:	3185216
Co. Website:	jubileeplatinum.com

Earlier this week Jubilee published an update focusing on production rates at its Dilokong chrome tailings operations. The announcement also highlighted the potential to quadruple chrome production now it has operational control of the Dilokong primary concentrator. This 75,000 tonne per month plant needs feeding with run of mine ore, which means Jubilee will be looking to nearby chrome mines for supply.

There is some uncertainty as to whether Jubilee will become the permanent operator of the primary concentrator. However, as the current operator, and given its agreement to mine and process Dilokong's tailings for up to 10 years, we believe Jubilee is well placed to take full control and ownership. This might also include the Dilokong underground mine and would transform Jubilee into a significant chrome player.

Meanwhile, Jubilee is full steam ahead on constructing the Hernic tailings plant. This will include an upfront fine (tailings) chrome concentrator and a platinum recovery circuit. The chrome circuit should be operational in October, followed by the platinum circuit in December. Jubilee's revenues at Hernic will primarily be from its platinum production.

Dilokong chrome tailings – beating nameplate capacity

At its recently built chrome tailings plant, a sustainable feed rate of 75 tonnes per hour is now being achieved which translates to production of c.6,500 tonnes of chromite concentrate per month. This equates to annual production in excess of 75,000t of concentrate compared with original plans of closer to 40,000t.

Dilokong primary concentrator - operatorship

Jubilee now has operational control of the primary concentrator at Dilokong, opening up various opportunities to process run-of-mine chrome ore in the area. Jubilee is now looking at buying-in ore from nearby chrome mines and upping chrome concentrate production from the current 6,500 tonnes per month level towards capacity of 25,000 tonnes per month of concentrate at the same grade.

Leveraging the Hernic agreement

Jubilee's hidden value is in its metallurgical/processing expertise i.e its ability to maximise recoveries from chrome and platinum tailings feedstocks. This explains how it won both the Dilokong and Hernic tailings contracts and could result in it securing similar agreements with other ferrochrome companies in future.

Valuation and recommendation

Jubilee's business is evolving and could soon include a larger chrome component and/or a new tailings agreements. As a result we are unable to produce financial forecasts or a Jubilee Platinum valuation. We do however maintain a Speculative Buy recommendation based on the Dilokong tailings operations and the fully financed Hernic tailings project.

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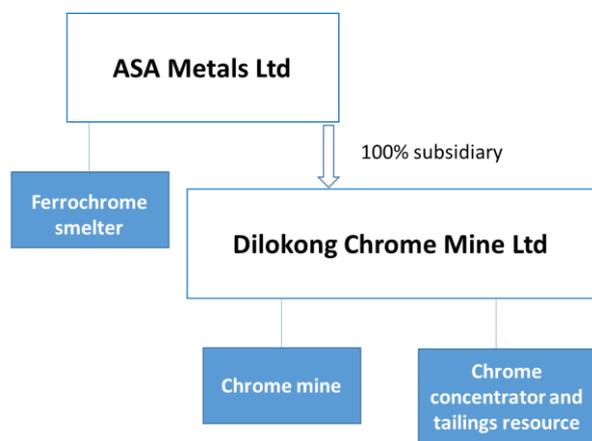
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Investment overview

Dilokong – tailings and ROM opportunities

The Dilokong underground chrome mine, primary concentrator and smelter operations are located on the eastern limb of the Bushveld Complex. The business was owned and operated by ASA Metals (pty) Ltd, a joint venture between Sinosteel and the Limpopo province.

Dilokong structure:



Source: Beaufort Securities

Jubilee-ASA Metals tailings agreements

In 2014, Jubilee Platinum negotiated with ASA Metals a contract which gave Jubilee the right to process the primary concentrator's tailings which contain 23% chrome and approximately 3.5g/t platinum group metals. Two plants would be constructed, an upfront chrome tailings plant and a flotation plant to recover the PGMs. A final agreement was signed in September 2015 after which Jubilee accelerated construction of the chrome tailings plant, commissioned in April 2016.

Business Rescue and the primary concentrator

In February this year, when Jubilee had almost completed its chrome tailings plant, ASA Metals and its subsidiary Dilokong Chrome Mine Ltd went into voluntary Business Rescue. The Business Rescue Practitioner (BRP) is responsible for trying to rescue the company or selling its assets.

On April 19th Jubilee announced it had operational control of Dilokong's primary chrome concentrator i.e. the business rescue practitioner (BRP) has rented it to Jubilee. This will help generate a little income for ASA Metals and its creditors, but Jubilee receives the majority of revenues and is also in a strong position to negotiate acquiring these assets from the BRP.

Although there is no certainty, we believe Jubilee has a chance of taking permanent control of Dilokong Chrome Mine Ltd. This could also include the underground mine, primary concentrator and the tailings resource.

Dilokong – current operations and platinum plans

Tailings chrome plant

At the chrome tailings plant, a sustainable feed rate of 75 tonnes per hour is now being achieved. Jubilee is targeting 6,500 tonnes of chromite production in June which equates to an annual production rate in excess of 75,000 tonnes of chromite concentrate grading 40%. This compares very favourably with original plans of closer to 40,000 tonnes per annum.

Primary chrome concentrator

The primary concentrator has 50,000 tonne per month capacity and is capable of producing upwards of 20,000 tonnes of chrome concentrate. Jubilee has operational control but will need to source chromite ore from nearby chromite mines to feed it. Combined, the primary concentrator and chrome tailings circuit could result in Jubilee becoming a 25,000 tonne per month producer of chrome concentrates.

N.B. Whether Jubilee becomes the permanent owner / operator of the primary concentrator or not, chrome processing is the key to gaining access to further platinum at surface to increase the platinum at surface already secured. I.e. the more primary chrome processed, the more platinum becomes available for Jubilee's tailings operation.

Dilokong platinum circuit

Jubilee had planned to construct a platinum tailings plant during 2016. This would be fed by the tailings from the recently commissioned chrome tailings plant, which grade 3.5g/t PGMs or above. Jubilee may still build this plant, however there is an alternative option. A nearby platinum miner has expressed an interest in buying the 3.5g/t material to supplement its mined feedstock. Commercial negotiations are ongoing and if successful could result in Jubilee not having to build a platinum tailings plant at Dilokong.

Hernic – full steam ahead

Construction of a 55,000 tonne per month chrome tailings plant and attached platinum circuit has begun and will continue until year end. Jubilee hopes to have the upfront chrome tailings plant commissioned in October with the platinum flotation circuit working in December.

Summary

The situation at Dilokong is dynamic. It is a huge opportunity for Jubilee which could result in Jubilee becoming a primary chromite concentrate producer (i.e. producing chrome concentrates from ore) and potentially a chromite mining company. On the other hand, Dilokong could end up being a tailings only operation for Jubilee. It will depend on the results of the business recovery process.

Meanwhile the Hernic tailings project is being built and progress there will provide newsflow throughout 2016. In 2017, Jubilee should be producing platinum from Hernic and chromite and platinum from Dilokong. We are also hopeful that Jubilee will negotiate one or more new Hernic type (chrome tailings to platinum) agreements with other Ferrochrome players. These are interesting times for Jubilee Platinum.

Recommendation Breakdown

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