

9th May 2019

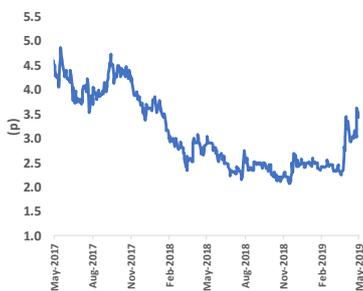
Sector: Mining

Commodities:

Chrome, PGMs, Zinc, Lead, Vanadium

Market data

Ticker	JLP
Price (p/sh)	3.45p
12m High (p/sh)	3.75p
12m Low (p/sh)	2.02p
Shares (m)	1855.3m
Mkt Cap (£m)	64.0m
Markets	AIM & JSX



Source: LSE

Description

Jubilee Metals Group plc (“Jubilee or “JLP”) is a Johannesburg and London based mine waste processing and metals recovery company listed on AIM (JLP) and the JSE (JBL). The company has operating assets in South Africa and has recently expanded its footprint to Zambia.
www.jubileemetalsgroup.com

Board & key management

Non-Exec Chairman	Colin Bird
Non-Exec Vice Chair	Dr Phosa
CEO	Leon Coetzer
NED	Christopher Molefe
Technical Director	Evan Kirby

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Jubilee Metals Group

Q1 sets the scene for diversification & earnings build-out

A busy quarter for Jubilee, not least for announcing the acquisition of the Sable Zinc Refinery in Zambia from Glencore forming a key part of the company’s plan to commence production at its Kabwe Zn-Pb-V project. Operationally, JLP delivered a robust quarter from its producing assets with a 54% increase in revenue and 57% increase in earnings. This was achieved despite some teething problems at Heric and the full impact of the PlatCro Chrome operation not feeding through given its acquisition in mid-January.

- ▶ **Q1 results hit the beat.** Q1 2019 combined revenue was £6.5m, up 54% q-o-q and JLP attributable earnings were £3.2m, up 57% q-o-q. This is a clear beat on our expectations of revenue £5.7m (JLP +15%) and earnings £2.8m (JLP +13%). Results from the PGM division, (i.e. only Heric at this stage) were robust despite some operational challenges - numbers were broadly in line with Q4 2018; revenue £3.4m (-7.8% q-o-q) and earnings £1.9m (-12% q-o-q). The chrome division buoyed by PlatCro Chrome delivered revenue £3.1m and earnings £1.3m. For a quarter that we view as “transitional”, these results are impressive.
- ▶ **Heric.** Robust performance despite some challenges. Power outages interrupted production in February which compounded the delay in getting back up and running after Christmas (Dec-Jan is the main holiday/shut-down season in South Africa). The delayed January restart affected the supply of feed material at the beginning of the year. Nevertheless, the Heric numbers were only marginally down on last quarter. JLP clearly clawed back production and importantly, operations have returned to full production. JLP reports 2,000oz for April which implies Heric is back on track for its 6,000oz per quarter run-rate.
- ▶ **PlatCro Chrome.** The real success story of Q1 was the rapid implantation of PlatCro Chrome into the group. Despite not providing a full quarter (acquisition completed mid-Jan), JLP notes that the operation is contributing ahead of projections. The chrome division is represented predominately by PlatCro at this stage until DCM Fine Chrome ramps up. As such, chrome division revenue of £3.1m and earnings of £1.3m highlight the strategic and financial rationale for the acquisition - PlatCro Chrome’s total acquisition price was only £8.6m.
- ▶ **PlatCro PGMs.** JLP reports that production from the PlatCro PGM project will commence in Q2 (May/June). JLP has been accelerating delivery of PGM-rich material from PlatCro to Northam Platinum’s Eland recovery plant. The plan remains the same, with the potential to add up to 30koz pa of PGMs (platinum and palladium dominant) which would double JLP’s total PGM production. This should transform group earnings from Q2/Q3 onwards.
- ▶ **DCM Fine Chrome.** The new fine chrome recovery plant was commissioned in Q1 with the first chrome concentrate being produced to target concentrate grades in January 2019 and delivered to market. Ramp-up to nameplate capacity is expected in early Q2. Whilst a relatively small operation, the plant is a critical cog in demonstrating to the industry that the recovery of fine chrome is technically and commercially possible.
- ▶ **Kabwe.** Whilst JLP awaits final approval from the Zambian Competition Commission for the Sable acquisition, the team has been granted access to the Sable refinery to optimise the implementation plan. There are lots of moving parts at the moment but JLP is looking at the best way to integrate the Zn-Pb-V feed from the Kabwe resource into the existing operations. In addition, discussions are underway to harness value-accretive opportunities to gain access to high-grade zinc material in the Kabwe region and increase refining capacity. Discussions are underway with various parties including Galileo Resources (AIM:GLR) and its Star Zinc project. Kabwe remains a game-changing project for JLP and we await further progress.

Next quarter is shaping up to be even better and should reflect not only a full quarter from PlatCro Chrome, but also contributions from the recently commissioned DCM Fine Chrome operation and the new PlatCro PGM operation. JLP plans to move to a more detailed, consolidated operational and financial review on a six-monthly basis. We concur that this will provide more clarity going forward whilst removing the onerous process of quarterly reporting.

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