

5th August 2019

Sector: Mining

Commodities:

Chrome, PGMs, Zinc, Lead, Vanadium

Market data

Ticker	JLP
Price (p/sh)	3.23p
12m High (p/sh)	3.7p
12m Low (p/sh)	3.1p
Shares (m)	1855.3m
Mkt Cap (£m)	59.9m
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

Operational results hint at the growth to come...

Jubilee has reported operational results for the 6-months ending June 2019 (H1 2019). Total revenue is up 75% to £14.4m and operational earnings are up 47% to £5.64m compared to the previous half, H2 2018. Whilst combined revenues were strong, earnings were slightly softer on a margin basis, with a 7% reduction in margin over H2 2018, primarily due to a negative chrome stock adjustment on the back of lower chrome prices at the end of the period. Production numbers were robust with a 10-fold increase in chromite concentrate production on the back of bringing DCM Fine Chrome and the new Windsor Chrome (previously PlatCro) online. PGM production at Hernic was marginally lower than H2 2018 due to a slow post-Christmas start-up but Q2 was back to a record production levels and Hernic is back to firing on all cylinders.

- ▶ **Combined PGMs and Chrome.** Revenue was £14.4m, up 75% from £8.1m in H2 2018. The majority of the increase was in the chrome division, due to bringing on-line both the DCM Fine Chrome and Windsor Chrome operations. Operational earnings were £5.6m and despite an encouraging 47% increase over the prior period, reflect a lower margin than expected due to an exceptional stock adjustment within the chrome division. This one-off adjustment reflects a reduction in chrome prices towards the end of the year, although we note that chrome prices have recovered strongly since. Hernic's contribution was stable, with the poor start to Q1 being compensated for by record production in Q2. We are in the process of updating our model to reflect updated production plans for new projects, including Kabwe.
- ▶ **Chrome Growth.** Chrome production grew significantly with a 10-fold increase in chromite concentrate to 164kt from 17kt in the previous half. This stems from the first contribution from Windsor Chrome (acquired in Dec 2018 and renamed from PlatCro) and first recovery from the DCM Fine Chrome operation which contributed 10% of the production tonnes. Chrome revenue increased 5-fold to £6.6m (H2 £1.1m). As discussed, although earnings increased to £1.58m from a loss of -£0.27m in H2, earnings growth was tempered by negative chrome stock adjustments. Nevertheless, the underlying message is that the chrome division is going from strength to strength. The real result here is that JLP has proven its ability to recover fine chrome at saleable concentrate grades. JLP expects fine chrome production rates to increase at DCM.
- ▶ **PGMS back on course.** After a lacklustre start to the year in Q1 as a result of power outages, Hernic is back to full-steam ahead with Q2 producing record production of 6.47koz. Total production for H1 was 11.6koz, slightly down from 12.2koz in H2. Despite this, revenue increased to £7.8m from £7m and earnings remained flat at £4m with JLP pushing Hernic back to full output and a strong Q2 compensating for a weaker Q1. Hernic's cost remained amongst the lowest in the sector at \$412/oz, a solid achievement.
- ▶ **PlatCro PGMs.** The Windsor PGM project is expected to produce first saleable PGM concentrates from the Eland plant during August 2019. 212.6kt of PGM-rich material have already been transported to the plant. The project has the potential to add up to 30kzpa PGMs, doubling the company's current capacity (from Hernic) and increasing JLP's PGM production output considerably in the next period.
- ▶ **Last tick on the box for Kabwe.** Final competition commissioning approval for the Sable Zinc Refinery transaction with Glencore has been received from the Zambian Competition and Consumer Protection Commission which represents the final outstanding conditions precedent. The process for the handover of the refinery has commenced and the final share transfer with Glencore is near completion. JLP has started the process to integrate the refinery with its Kabwe tailings project. Development is planned in two phases; Phase 1 will be the production of vanadium pentoxide (V_2O_5) and an intermediate saleable zinc concentrate. Phase 2 will target the production of refined zinc metal and a lead concentrate. JLP expects Phase 1 to deliver first production within four months of taking control of the refinery, which implies before the end of 2019. JLP is also investigating the potential to commence copper production at Sable utilising the existing refinery infrastructure.

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