

## MORNING COMMENT

### Jubilee Metals

#### Impressive half year of growth to December 2020 – more to come

Jubilee Metals today provides its interims for the period ending December 2020. We've already had the operational update (14.01.2021) and this adds further details to what was an extraordinary period of growth in production and earnings. Growth has been staggering and with improved Platinum Group Metal (PGM) prices from the start of the year, allied with taking PGM production back in-house at its expanded Inyoni PGM recovery circuit in mid-year, our expectations for the second half of this financial year are high. We estimate that the current basket price for PGMS is ~\$3,000/oz (est. ~\$2,300/oz in H1) which set against an operating cost sub \$500/oz means that cash margins have improved to ~\$2,500/oz (~\$1,800/oz); PGMs are driving the financial momentum in Jubilee. Heavy rains in Zambia have led to a short delay in commissioning the first of the three copper raw material plants: Roan, Elephant 1 and Elephant 2. However, we expect the first phase of Roan to be operational in April to begin delivering copper units to the Sable refinery and rising up to a level of 10kt/yr, followed by Elephant 1 and 2 to allow for capacity expansion at Sable from 15kt/yr to ~25kt/yr copper cathode in 3-4 years. The delivery of these copper projects in Zambia, in a rising copper price environment (copper is currently testing its all-time highs at over \$9,000/t) will drive forward the next stage of Jubilee's evolution.

Jubilee Metals has two main divisions: Chrome/PGM in South Africa and base metals in Zambia. Overall, these delivered attributable earnings of £30.9m (£9.9m end December half year 2019), Adj. EBITDA of £29.3m (£8.7m) and an eps of 0.91p (0.35p) – an exceptional improvement year on year – and all set against a background of the Covid Pandemic. That the December half 2020 was a better result across the board than for the whole of FY 2020 (ending June 2020) and, with increased commodity prices and production already in this current half, shows how far Jubilee has come and what else it can deliver.

- **PGM** – Production of 28.2koz (21.0koz). Revenue £36.6m (£16.3m). Attributable earnings £26.4m (£9.7m). Scaling back of PGM production with its JV partner from Windsor and the expansion of the Inyoni circuit bringing all PGM production back in-house will, in our opinion, bring benefits to Jubilee's operational and financial performance – we expect the expanded plant to be completed during Q2 2021.
- **Chrome** – Production of 320kt (186kt). Revenue £11.6m (£9.1m). Attributable earnings of £1.3m (£0.3m). A small but extremely important contribution from chrome improved by the effect of fixed margin chrome ore contracts which, crucially, leaves Jubilee with the PGM-rich tailings to reprocess – the critical upgrade step effectively making a profit. A new plant at Windsor 8 will help increase production as will an upgraded 80kt/month circuit at Inyoni to process tailings from the neighbouring Samancor beneficiation plant (to be operated by Jubilee).
- **Copper** – cathode production of 1kt (to date) from existing tailings at Kabwe in Zambia at the site of the Sable refinery has helped dial in the refinery. Expansion to 0.4kt/month copper cathode is expected from April/May as project Roan (total capex \$17m) begins to deliver copper units for refining and begins the staged process to take Sable to capacity – and beyond - and become a producer of scale. The even bigger prize here is proof of concept and taking future advantage of the billions of tonnes of copper waste material lying on the ground in Zambia after a century of copper mining.

**WHI View:** Jubilee continues to deliver on its portfolio of projects and, in our view, this is only the beginning. More immediately, increased commodity prices and production will drive an increase in earnings in the current half followed in the second calendar half of 2021 by: 1) the large expansion of chrome production at Inyoni for which Jubilee will have a fixed margin contract to process the chrome ore and, more importantly, will keep the PGMs production from the tailings; 2) Jubilee taking all PGM production back in-house at Inyoni and; 3) the growing input from Zambian copper production which over the course of the next 3-4 years will rival the PGM/chrome division in South Africa in scale of contribution; and all of this before we consider Kabwe zinc-lead and any other wild card deals which we expect Jubilee to find. Jubilee has a compelling investment case based on growth.

## CORPORATE

Share Price 16.2p

Reuters/BBG	JLP.L / JLP LN
Index	FTSE AIM
Sector	MINING
Market Cap	£363m

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### Analyst

Paul Smith  
+44 (0) 113 394 6609  
paul.smith@whirelandcb.com

WHIreland Limited, 24 Martin Lane, London, EC4R 0DR, tel. 020 7220 1666

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## Contacts

### Head of Capital Markets

Fraser Marshall	020 7220 0484	fraser.marshall@whirelandplc.com
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### Research

John Cummins	020 7220 1755	john.cummins@whirelandcb.com
Matthew Davis	0113 394 6620	matthew.davis@whirelandcb.com
Brendan Long	Oil & Gas 020 7220 1694	brendan.long@whirelandcb.com
Paul Smith	Mining 0113 394 6609	paul.smith@whirelandcb.com
Nick Spoliar	020 7220 1761	nick.spoliar@whirelandcb.com
Jason Streets	020 7220 1693	jason.streets@whirelandcb.com
Susanna Virtanen	020 7220 1674	susanna.virtanen@whirelandcb.com

### Sales & Trading

David Kilbourn	020 7398 1106	david.kilbourn@whirelandcb.com
Harry Ansell	020 7220 1670	harry.ansell@whirelandcb.com
Dan Bristowe	020 7220 1648	daniel.bristowe@whirelandcb.com
Melvyn Brown	020 7220 1688	melvyn.brown@whirelandcb.com

### Corporate Broking & Investor Relations

Adam Pollock	020 7220 0482	adam.pollock@whirelandcb.com
Jasper Berry	020 7220 1690	jasper.berry@whirelandcb.com
Hayley Mullens	020 7220 1695	hayley.mullens@whirelandcb.com
Aimee McCusker	020 7398 1136	aimee.mccusker@whirelandcb.com
Alex Carroll	0207 220 1663	alex.carroll@whirelandcb.com

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Corporate	55	98.2	55	100.0
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Speculative Buy	0	0.0	0	0.0
Outperform	1	1.8	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
<b>Total</b>	<b>56.0</b>	<b>100.0</b>	<b>55.0</b>	<b>100.0</b>

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Company Name	Table of interest number	12-month recommendation history	Date
Jubilee Metals (JLP)	2,3,4,5,7,10	Corporate	28.01.20

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