

13th July 2020

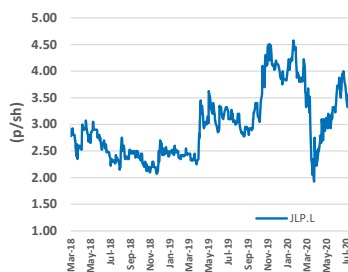
Sector: Mining

Commodities:

Chrome, PGMs, Zinc, Lead, Vanadium, Cobalt

Market data

Ticker	JLP
Price (p/sh)	3.56p
12m High (p/sh)	4.89p
12m Low (p/sh)	1.93p
Shares (m)	2112.5m
Mkt Cap (£m)	75.2m
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
NEC	Christopher Molefe
Technical Director	Evan Kirby

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Jubilee Metals Group

Covid curveball largely dodged

JLP has recorded another period of growth in spite of the disruption caused by Covid-19 and a national lockdown in South Africa. Whilst production was marginally lower from the PGM division, overall group revenue and earnings recorded growth both y-o-y and vs the prior half. JLP's operational structure and some fleet of foot action by management ensured that operations were quickly ramped back up in mid-April minimising disruption. Although chrome prices remain down in the dumps, JLP continues to leverage outstanding PGM margins with a unit cost of \$537/oz versus a current basket price of \$1,320 driven by strong Pd, Au & Rh prices.

- Numbers demonstrate growth and traction.** Y-o-Y numbers (6m ending June-19 vs 6m June-20) continue to demonstrate JLP's rapid progression better than consecutive halves and hammer home a transformational 12-months. H1-20 Revenue £29.4m \uparrow 105% (from £14.3m), but slightly lower than our £32m expectation, attributable project earnings £12.8m \uparrow 126% (from £5.64m), a touch below our £11.7m. On a consecutive half comparison the stats are equally impressive despite the Covid-19 disruption with JLP delivering a 6th consecutive period of double-digit growth: Revenue up \uparrow 19% from £24.9m and attributable project earnings \uparrow 51% from £5.64m. Cash position maintained at £10.8m (£10.2m prior half) despite the acquisition of PGM/chrome rights and Kabwe capex.
- Impact of Covid-19 tempered.** JLP like most of the industry, shut down its South African operations on 23rd March 2020 in line with the nationwide 21-day lockdown. The company started the process recommencing operations on 17th April at Inyoni Chrome and PGMs, followed by Windsor Chrome and PGMS on 7th May. JLP estimates that Covid related disruption resulted in the equivalent loss of 2 months' operational time. Nevertheless, JLP's strength is its surface-based processing model which has been the differentiator here. No mining and the major remobilisation that it requires, a small labour force and no tricky pyrometallurgical process to re-start. Consequently, the company was able to rapidly restart and ramp-up operations and now reports that all operations have returned to 100% capacity.
- PGM operations;** H1-20 production 19.6koz PGMs \uparrow 70% y-o-y (11.6koz) although \downarrow 10% down on the previous half (21koz) due to Covid-19 restrictions and lower than our expectation of 23.0koz. PGM revenue £21.1m \uparrow 173% y-o-y and \uparrow 56% over the prior half, marginally ahead of our £20.1m due to a strong PGM basket price. Earnings remained strong, £12.5m \uparrow 212% y-o-y and \uparrow 56% on the prior half and higher than our £11.1m expectation. Units costs \$537/oz, lower than our \$598/oz expectation.
- Chrome operations.** H1-20 concentrate production 191.9kt \uparrow 16.5% y-o-y (164.9kt) and \uparrow 3% on the prior half (186kt), but below our 248kt expectation due to Covid. Revenue £8.4m \uparrow 19%. Chrome earnings £0.2m \downarrow 85% y-o-y, below our £0.6m although up \uparrow 19% on the half. Earnings continue to be impacted by depressed chrome prices although it is notable that JLP still managed to record positive earnings during the period. The fine chrome plant from DCM has been decommissioned and will be relocated down to Inyoni and Windsor by the end of August to maximise earnings and circumvent any potential Covid-related delay that would have been incurred if JLP were to construct a new fine chrome facility.
- Kabwe.** JLP commenced production of copper cathode and cobalt concentrate during the period from its Sable refinery in Zambia. JLP indicates that 100tpm of copper cathode is being produced from own tails, with additional production of 100tpm being ramped up from 3rd party ore. The target remains 400tpm from 3rd party ROM in the next quarter. Construction of the zinc refinery is temporarily on hold due to Covid related restrictions on cross border services. JLP entered into a JV to secure rights to c.150Mt of copper containing tailings.

All said and done, another strong half from JLP despite some considerable disruption from the Covid-19 pandemic. It goes to show the real value of being nimble and having operational flexibility. With operations now firing on all cylinders again, JLP should re-join its steep growth trajectory for the remainder of the year. The share price has already recovered from the Covid-19 related low in March.

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