

## Growth Equities & Company Research

### **Jubilee Platinum – Buy at 91.5p – target increased from 294p to 305p**

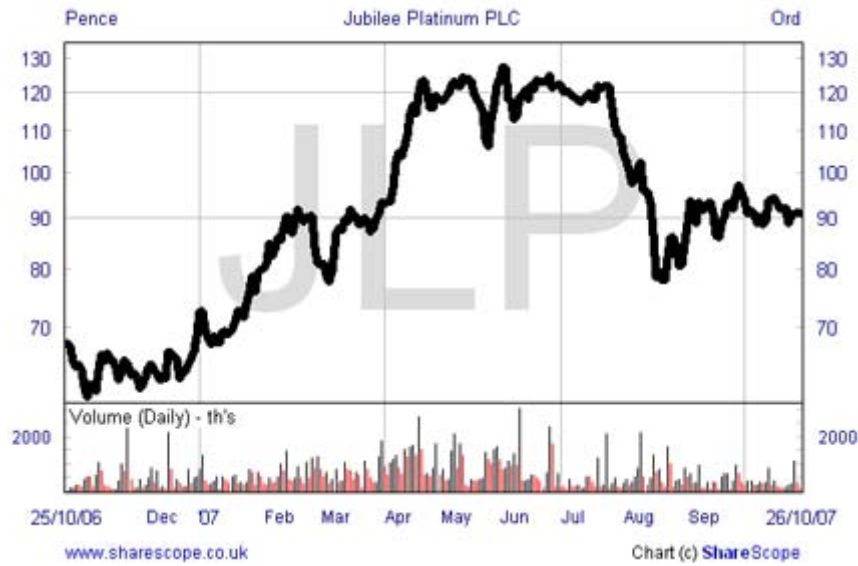
Jubilee Platinum is an AIM and JSE Limited (JSE) listed Platinum Group Metals (PGMs) and nickel exploration company, which in the five years since its inception has accumulated a raft of potentially company making prospects in two countries; signed a number of joint venture agreements with larger companies to accelerate and de-risk its exploration programme; and which now looks set to bring a major mine into production by 2011.

In Madagascar it owns a number of nickel, PGM and gold prospects which have shown significant early promise and which have attracted both Impala Platinum Holdings (Impala) and TransAsia Minerals Ltd (TransAsia) into undertaking joint venture agreements. Other deals are likely. However it is the Tjate prospect in South Africa, which underpins the investment case as it is preparing for a Bankable Feasibility stage following recent positive drilling results and the company states that it aims to bring the mine into production within four years.

Since June of this year, Jubilee has increased its direct and indirect interest in the Tjate project to 48.72% subject to the approval of the South Africa Reserve Bank (SARB), with the option to acquire further shares to take that holding to 58.53%. This bold move displays Jubilee's confidence in the potential of Tjate and it is our belief that Jubilee will ultimately increase its stake to 74%, leaving its Black Empowerment partners, the Black Economic Empowered (BEE) Tjate Platinum Corporation (holding the minority). A recent scoping study indicated that the mine could produce at a rate of 200,000 tonnes per month. The resource at Tjate is estimated to be around 65 million ounces of PGMS and gold. Jubilee currently has three drill rigs on site at Tjate and expects to have 7 on site by early 2008. The independent Snowden scoping study concluded that Tjate would be viable as a stand-alone project. However we still believe that with Anglo and Impala operating existing mines up-dip on the neighbouring farms, some form of joint venture or Production Sharing Agreement (PSA) is ultimately likely to be concluded.

Unlike many mining juniors, Jubilee is fully funded. In Madagascar, Impala and TransAsia are fully funding work on two of the three lead projects so Jubilee's exploration needs are low. During the past 12 months its wholly owned South African subsidiary Windsor has entered into an agreement with Mitsubishi over \$16 million convertible loan to advance Tjate. The company also raised £5.2 million through the issue of ordinary Jubilee shares and, as a result, we believe that it now has net cash of £3 million. However, we do expect further equity fund-raising, possibly in part utilising the dual JSE listing obtained in December 2006 as a source of finance, in order that Jubilee can accelerate work on Tjate to bring Tjate to a bankable feasibility stage.

Jubilee's share price has doubled over the past 12 months but we continue to see upside. We value Jubilee on a sum of the parts basis at £587 million or 305p per share but this is a heavily risked model and further exploration success in either Madagascar or in South Africa could prompt an upwards revision. Moreover as Jubilee moves to bring Tjate closer to production the project will be steadily de-risked and that is likely to lead to an increase in our valuation. At 91.5p our stance remains **buy**.



**Forecast Table:**

| Year to 30th June | Sales<br>(£million) | Pre-Tax Profits<br>(£million) | Earnings Per<br>Share (p) |
|-------------------|---------------------|-------------------------------|---------------------------|
| 2005A             | 0                   | (0.33)                        | (0.45)                    |
| 2006A             | 0                   | (0.74)                        | (0.83)                    |
| 2007A             | 0                   | (1.75)                        | (2.09)                    |
| 2008E             | 0                   | (4.50)                        | (4.54)                    |
| 2009E             | 0                   | (7.50)                        | (7.57)                    |

| Key Data           |   |
|--------------------|---|
| EPIC               | JLP   |
| Share Price        | 91.5p   |
| Spread             | 91p – 92p   |
| Total no of shares | 86.02 million   |
| NMS                | 10,000  |
| Market Cap         | £78.71 million  |
| 12 Month Range     | 59.75p – 127.5p   |
| Market             | AIM, JSE  |
| Website            | <a href="http://www.jubileeplatinum.com">http://www.jubileeplatinum.com</a> |
| Sector             | Mining Resources  |
| Contact            | Colin Bird<br>0207 584 2155   |
|                    |   |

## Background

Jubilee Platinum is a mining exploration and development company with a focus on Platinum Group Metals (PGMs), nickel and /copper. The Company was incorporated in June 2002 and began trading on AIM shortly afterwards, raising an initial £2.2 million at 16p per share. This achievement was a considerable one given that the general consensus towards mining stocks at the time was highly unfavourable.

The company's initial focus was in South Africa, Canada and Ethiopia. But gradually the importance of these initial assets has faded. Those in Canada and Ethiopia have been disposed of and exploration assets subsequently acquired in Sierra Leone are now viewed as relatively unimportant. The focus has shifted decisively to Madagascar where early stage exploration assets secured in 2004 have already shown great potential and to the Tjate project in South Africa. Jubilee's interests in South Africa and Madagascar are represented through its 100% subsidiaries, Windsor Platinum Investments and Mineral Resources of Madagascar Sarl (MRM) respectively. In South Africa, Jubilee Platinum holds three properties; the most important is Tjate Project in the Eastern Bushveld. Through Windsor, Jubilee Platinum will own 48.72%, subject to SARB approval, of Tjate Platinum Corporation Ltd, the company that owns the rights to the property.

Jubilee acquired its first stake in Tjate in December 2004, purchasing a 25% interest in the Black Economic Empowered (BEE) Tjate Platinum Corporation for a total consideration of £3.1 million. Jubilee then exercised its right to acquire another 10% by using money provided by the New Africa Mining Fund (NAMF) when it agreed to invest £1.2 million to partly fund a feasibility study.

Recently, Jubilee purchased 49% of NewPlats, thereby increasing its holding in Tjate to 48.72% subject to SARB approval. This replaces the December 2006 agreement to acquire 13% with a further option to acquire another 15% interest subject to government approval.

Jubilee owns 65% of Maude Mining and Exploration Ltd and 100% of Dullstroom Plats Ltd, its other two minor properties in South Africa.

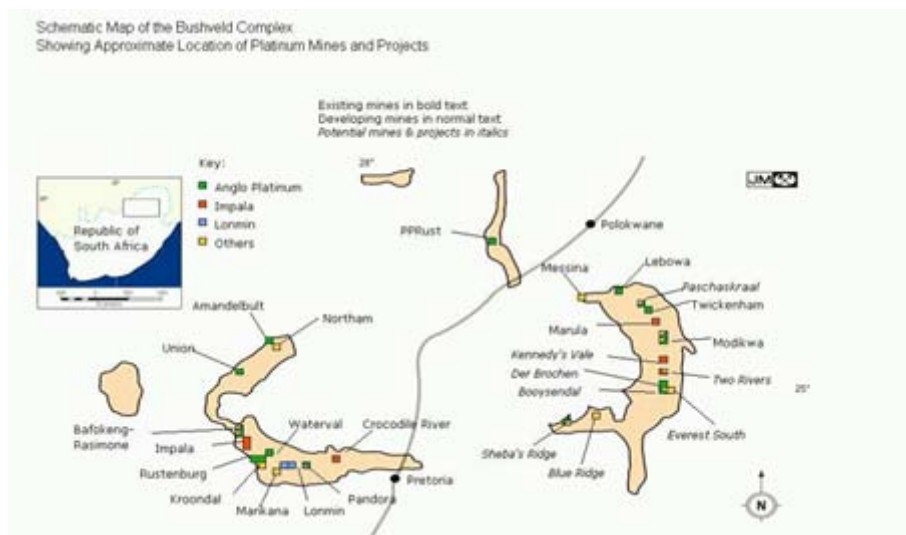
In Madagascar, the Company owns 100% of the Mineral Resources of Madagascar Sarl (MRM) and has a joint venture with Impala Platinum Holdings for its Ambodilafa project. Under the terms of the joint venture agreement, Impala has the right to earn a 51% interest in the Ambodilafa property conditional on it providing \$5 million of investment in the prospect with the possibility of it providing further funding if required. MRM will retain a 49% equity stake if Jubilee continues to fund Ambodilafa to feasibility and development stages but will be diluted to 35% should Jubilee decide otherwise.

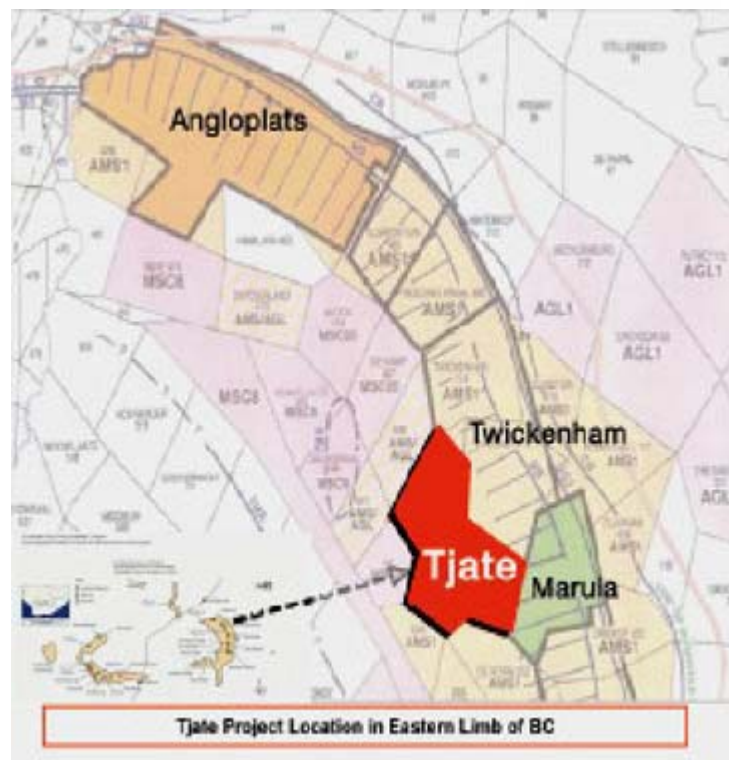
Jubilee also agreed a joint venture agreement with TransAsia in October 2006. The agreement is that TransAsia will acquire a 51% interest in the Londokomanana and Itsindro projects if it provides a total of \$10 million to fund their exploration over a 3 year period. TransAsia also agreed as part of the deal to subscribe for 481,000 Jubilee shares at £1.10 per share.

In Sierra Leone, Jubilee retains a 20% stake in the York PGM Project through a joint venture with a wholly owned subsidiary of AIM listed Minerva Resources. The two companies are working to explore a 105.3 square kilometre nickel and chromium rich area.

## The Operating Assets

### South Africa





Source: Jubilee Platinum, Top: Bushveld System, Bottom:Tjate Location

The Tjate property comprises three contiguous farms (Dsate, Fernkloof and Quartz Hill) covering 5,143 hectares. . The most advanced farm in terms of exploration and development is Dsate. The area contains two major reefs - the Merensky reef and UG2 reef. Historical drill grades have been impressive and in June 2007, Jubilee published results of a scoping study undertaken by independent consultants Snowden. The study indicated that a \$400 million investment in an underground mine would create a project with an 18 year life span, producing a total of 262,000 ounces of PGMs and gold per annum.

A more recent independent study carried out in conjunction with Tjate Platinum Corporation suggested that the project could attain a production target of 200,000 tonnes per month. Drill results published in October 2007 show exceptional PGM values and reef thickness intersection. Borehole DT9 showed 10.98 g/t of platinum, palladium, rhodium and gold, 0.33% of nickel and 0.23% of copper over 2.21 metres. In the footwall, 9.12 g/t of platinum, palladium, rhodium and gold, 0.28% of nickel and 0.16% of copper was found over 2.15 metres. While DT9 was an exceptionally good drill hole its results are not that out of kilter with those from previous holes.

In July 2007 Jubilee announced that it had completed an agreement to buy NewPlats 'A' Preference Shares in Tjate which will bring its total stake in Tjate to 58.5%. This transaction is subject to the approval of the South African Reserve Bank (SARB) and the Department of Minerals and Energy (DME). However the Company is confident that approval from both bodies is imminent. In due course we expect the holding to be increased to around 74%. Further acquirement of the Tjate holding appears to be a sensible step given the recent results. The Company now has increased confidence to embark on their bankable feasibility study and accelerate their drilling programme.

The Company also operates in other areas of the Bushveld, at Elandsdrift and Bokfontein. New order prospecting rights are currently being registered and the Company is optimistic that they will be granted imminently. Merensky and UG2 reefs outcrop the north of this tenement area. New

prospecting rights are being applied for. However, with the exception of Tjate, Jubilee's South African prospects are at too early a stage of development to merit any material value to the company.

## Madagascar



Source: Jubilee Platinum Re: Pictures in red - MRM properties

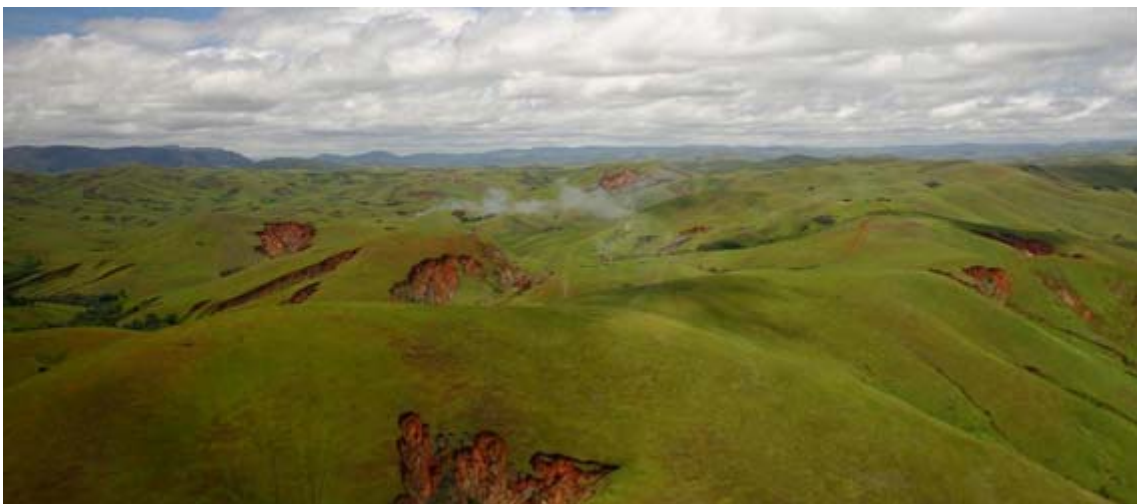
Jubilee Platinum has rights to extensive acreage across Madagascar however its exploration efforts to date have been focussed on three main areas: Londokomanana in the North, Ambodilafa in the South-East and the Lanjanina region in the South West. The Company currently has 10-year exploration permits on more than 100,000 hectares of PGMs, nickel and copper prospective concessions.

## Londokomanana



Source: Jubilee Platinum Re: Londokomanana Topography (on the left Mavoandro, Middle Antsahabe, and right Borokely)

The Londokomanan region consists of the Londokomanana licence area which includes the prospects of Mavoandro, Antsahabe, and Borokely and the Lavatrafo reconnaissance area which includes the Amboasary, Lavatrafo and Ranomena prospects. At Mavoandro, geochemistry has identified an anomalous zone with two kilometres of strike and which is up to 500 metres wide. The Company started drilling with two drill rigs at Anstahabe and Mavaoandro in May 2007. To date, three holes at Antsahabe have been completed. A further six holes have been scheduled for drilling. The first hole, recently reported at Antsahabe (ANT009), intersected 32m of continuous nickel and copper sulphide mineralisation and assaying showed 0.33% of nickel and 0.12% of copper at grades of 0.4% Nickel and 0.13% Copper. The highest grade intersection over 20 centimetres showed 1.24% Nickel and 0.33% Copper. This hole was stepped out 800 metres to the South East of ANT001 which showed similar results.



Source: Jubilee Platinum Re: Lavatrafo Topography

This project is operated under a joint venture with TransAsia Minerals Ltd, a registered company forming part of PT TransAsia Resources Group (Indonesia). TransAsia Minerals will earn a 51% interest in the Londokomanana and Itsindro (South West region) properties, in return for spending \$10 million on exploration of which \$7 million is earmarked for Londokomanana and \$3 million for Itsindro.

The Lavatrafo area potentially hosts a major nickel-copper-PGM formation. Drilling activity has been undertaken on all three prospects within the area: Amboasary, Lavatrafo and Ranomena. In Ranomena, elevated nickel and PGM values were found as a result of trenching activity and the first borehole from early 2007 intersected 49 metres of sulphide mineralisation assaying 0.43g/t of 3E and 0.28% Nickel - further drilling is planned for this prospect. At Lavatrafo, a drillhole intersected 19 metres of nickel copper and PGM mineralisation grading 0.53 g/t 3E and 0.18% of nickel including 3 metres grading 1.13 g/t 3E and 0.27% nickel and 0.19% copper. . At Amboasary, the first drillhole intersected intervals of PGE and nickel copper sulphide mineralisation grading respectively 0.22% nickel and 0.1g/t 3E and 0.21% nickel and 0.13 g/t 3E.

## **Ambodilafa**

The Ambodilafa project covers an area of 105 square kilometres where a largely unexplored ultrabasic intrusion was found. The prospecting licence is held by Jubilee's wholly owned Madagascan subsidiary MRM. Impala has an option agreement with Jubilee to earn a 51% interest in the project in return for funding \$5 million of exploration work up to the completion of a bankable feasibility study. Three holes have been drilled to date of which one hole intersected nickel copper sulphide mineralisation. High grade intersections at 2.2m found 1.29% Nickel, 0.31% Copper and 0.31g/t of 2PGE and gold. Jubilee and Impala Platinum announced in August 2007 the approval of a budget of up to \$1.25 million for phase 2 of the exploration programme.

## **Lanjanina**

The third area where Jubilee has been active is Lanjanina in the South-West of the Island where nickel-copper drill targets has been identified. Soil sampling results have indicated potential copper nickel values of 2800ppm copper and 550ppm nickel. The area is a prospective target for further exploration and better definition. We expect Jubilee to undertake active drilling within the next twelve months although the rate of activity could be accelerated if a joint venture partner is secured.

## **Sierra Leone**

In Sierra Leone, Jubilee holds a 20% interest in a joint venture with a wholly owned subsidiary of AIM listed Minerva. The licence area covers the 105.3 square kilometre York Platinum project, located around the village of York, 37 kilometres south of Freetown. The area has a history of artisanal platinum production. Geochemical sampling has shown platinum values of up to 0.84g/t over a strike length of 8.5 kilometres however sampling at a new trench yielded 0.44g/t platinum. Parallel reef like horizons 2 kilometres to the East have also been discovered and remains open ended. New trenches have yielded results of up to 0.44g/t platinum while soil samples have shown values of up to 0.35 g/t platinum. However, the results delivered at Tjate and in Madagascar mean that this project is of relatively little importance to Jubilee.

## **Strategy and growth Prospects**

Since the publication of our last detailed note on June 11th, Jubilee has increased its Tjate holding to 48.72%, subject to SARB approval, and it is likely that it will increase it further following the encouraging drill findings announced recently and the movement made towards undertaking a bankable feasibility study in 2008 and, ultimately, bringing it into production. Whilst it is the stated intention of Jubilee to bring Tjate into production as a stand alone entity, the fact that it is contiguous to two existing mining operations, namely Twickenham mine (operated by Anglo Platinum) and Marula mine (operated by Impala Platinum) suggests that this is unlikely. Tjate is

ultimately merely an extension downdip of the existing operations at Twickenham and from a commercial standpoint some form of PSA is undeniably sensible. Jubilee will create value for its shareholders by taking Tjate closer to the point where a mine can be constructed merely, in our view, to extract better terms from one of its neighbours when a PSA, or outright trade sale, is concluded.

In Madagascar operations are at an earlier stage and Jubilee recognised two years ago that it did not have the management or financial resources to bring its large number of prospects to the stage where intensive drilling can take place. It has therefore pursued a policy of farming out its key properties once its early stage sampling and aeromagnetic surveys have identified sufficient potential to attract a major on terms attractive to Jubilee. We believe that Jubilee will continue to conduct work on additional properties in order to tempt larger companies into signing joint ventures which will accelerate their development. Ultimately, should any Madagascar property, reach the stage where a mine could be constructed we believe that Jubilee's interest will be severely diluted but an essentially small carried interest in a commercial mine would create real value for Jubilee shareholders. The results to date from Londokomanana region and Ambodilafa licence area do nothing to dispel the notion that Jubilee may own a number of deposits with a significant commercial value.

## **Risks and Opportunities**

Jubilee is well funded and has two joint venture partners who carry a high proportion of its exploration costs. That marks it out from most mining juniors whose exploration budgets are restricted and uncertain. In the past Jubilee has been successful in raising equity finance at ever higher prices but it is likely that at some stage it will need to raise significant additional equity in order to fund a feasibility study at Tjate. There can be no guarantee that the market will be supportive. If Tjate is brought into production as a stand alone unit then it will need to raise up to \$200 million of debt and equity and the success of such a large financing cannot be guaranteed.

The grades achieved so far in both Tjate and in Madagascar are encouraging. But more work is needed at Tjate to give a clear picture of the size of the resource and of the likely cost of any mine, given that it will operate at depth. In Madagascar extensive drilling is needed before it can be said with any certainty that Jubilee has a commercial find. The economics of all projects will be affected by the prices of metals achieved when any mine comes into production. Platinum currently trades at \$1430 per oz – a near record high, gold is at \$787 oz, its highest since 1979 and Nickel trades at \$31,000 per tonne, but there can be no guarantee that prices will remain at such levels.

Whilst it is possible that metals prices will fall, environmental legislation in the West has been a strong driver in the increasing growth in sales of PGMs as emissions control catalysts. Supply is not rising rapidly enough to meet this demand which, we suspect, will not abate. Demand for nickel is also expected to rise at a healthy pace driven by the spectacular expansion of stainless steel production in China. Current suppliers cannot keep pace with this new demand and although a number of new mines will come onstream in 2010 the risks to the supply demand balance remain on the upside, in our view.

South Africa, Madagascar and Sierra Leone are not free of political instability, bureaucratic delays and Government/3rd party interference. Usual risks such as infrastructure, exchange rate and pricing risks apply. The shadow of Zimbabwe may deter some British investors from investing in South Africa.

## Management

**Malcolm Burne – Non Executive Chairman.** The former *FT* journalist has controlled and managed fund management, venture capital and investment banking companies in Australia, Hong Kong and North America. Burne has been a Director of over 20 companies, many of which have been in the mineral resources and gold exploration fields and was the man largely responsible for turning the Golden Prospect investment vehicle into investment bank Ambrian Capital.

**Colin Bird – Chief Executive Office.** Bird has over 40 years of experience in the mining industry. In the past he worked for Anglo American Coal on planning and operations. From 1979 to 1984 Bird was the Mining Manager of the Selebi Phikwe Nickel Copper Mine, jointly owned by Anglo American, Amax and the Botswana Government, where he held the statutory responsibility for the entire operation including the concentrator and smelter. In 1989, Bird joined Plateau Mining plc as a Managing Director and in 1993 he joined Petromin Saudi Arabia to manage its mining activities.

**Chris Molefe – Non Executive Director Molefe** was formerly the Chief Executive of Royal Bafokeng Resources (Pty) Limited and is presently the Non-Executive Chairman of Merafe resources Limited and a non-executive Director of Astrapak Limited, both publicly listed companies in South Africa. Molefe has held several positions in Corporate Banking and industry for the previous 20 years. He commenced his career as Group Human Resource Manger at Union Carbide Africa Corporation. His subsequent positions include being the Manager of Corporate Affairs at Mobil Oil Southern Africa (Pty) Limited; an Executive Director at Black Management Forum; a Financial Analyst at Chase Manhattan Bank; the Marketing Manager at African Bank Limited; an Executive Manager at Transnet (Propnet) (Pty) Limited; and an Executive Director at Dipapatso Media (Pty) Limited.

**Andrew Sarosi – Technical Director.** Sarosi is a mineral processing engineer and consultant with 35 years experience developing, managing, commissioning and troubleshooting in gold and silver ore, tungsten, tin, copper and zinc ore processing plants in Saudi Arabia, Ethiopia, South Africa and the United Kingdom. Sarosi is currently a consultant to the mineral resources. In the past Sarosi has worked for Gold Fields Limited South Africa, Gold Fields London and Amax Hemerdon Limited. Sarosi was appointed Technical Manager of Jubilee in August 2002 and was subsequently appointed as the Technical Director in January 2006.

**Raju Samtani – Financial Manager Samtani is a qualified accountant** whose previous experience includes three years as the Group Financial Controller at marketing services agency - WTS Group Limited, where he was appointed by the Virgin Group to oversee its investment in the WTS Group Ltd.

## Significant Shareholders

Jubilee Platinum's issued share capital consists of 86.02 million shares with approximately 5 million share options outstanding, currently all in the money. Those owning more than 3% in the company are as follows:

|                                    |        |
|------------------------------------|--------|
| Ambrian Capital                    | 10.33% |
| JP Morgan Fleming Asset Management | 9.66%  |
| Best Asset Class AG                | 8.94%  |
| Fidelity Managed Funds             | 6.87%  |

Colin Bird  
Framlington Investment Management

4.33%  
3.34%

On 31st July Colin Bird sold 3 million shares to a South African institutional investor. Bird founded Jubilee and this was his first share sale. We understand that he has no plans to sell any additional shares.

## Balance Sheet and Cashflow

On 17th September 2007, Jubilee published its results for the year ended 30th June 2007. The Company announced a loss of £1.75 million, an increase from £738,409 in the previous year. The loss per share was 2.09p compared to a loss per share of 0.83p in the previous year. The loss was caused largely by three factors: a one off listing cost on the JSE of £311,643, a share based charge of £452,786 as required by IFRS as well as a charge of £220,313 relating to the impairment of intangible assets following a review of the Company's intangible asset base.

Exploration expenses of £573,911 were largely capitalised and were sharply down on the £1.13 million booked for 2006. The reduction in exploration costs was largely due to Jubilee's joint ventures, which meant that Jubilee's own direct costs in Madagascar fell sharply.

The company ended the year with net cash of £7.5 million and we believe that it still has around £3 million in the bank even after upping the exploration pace in South Africa and Madagascar and increasing its stake in Tjate. However, we expect that at some point further funds will be needed to advance the Tjate project towards the completion of a bankable feasibility study.

## Forecasts, Valuation and Conclusion

This is a loss making company and therefore there can be no earnings based analysis. In the year to June 30th 2008, we expect the company to spend 75% of its exploration budget on drilling and metallurgical test work, which is likely to result to heavier operating expenditure than in previous years. Drilling and metallurgical work will accelerate into 2009 and we have allowed in our forecasts an estimated further cost of £3 million for the completion of a bankable feasibility study.

Our most recent valuation for Jubilee Platinum in June 2007 valued the company on a sum-of-parts basis at £566 million or 294p per Jubilee share on a fully diluted basis.

### Tjate Project – South Africa

Our previous valuation for Tjate of £320 million was based on a long term discounted cash flow model assuming that the mine cost \$200 million to build and operated over 20 years. Bearing in mind that the company is undertaking an accelerated drilling programme and will shortly proceed to a Bankable Feasibility study, we consider it prudent at this stage to prepare an in-situ valuation for the Tjate project, based on the 65 million ounce inferred resource.

**Table 1: Price of 4E and proportion applicable to average grade of each metal in the Tjate Project**

|                                     | Pt   | Pd  | Rh   | Au  | SUM 4E<br>price\$/oz |
|-------------------------------------|------|-----|------|-----|----------------------|
| Current Market Price (\$<br>per oz) | 1431 | 360 | 6160 | 751 |                      |
| Conservative Price (\$<br>per oz)   | 1200 | 300 | 6000 | 650 |                      |

|                     |       |       |       |       |      |
|---------------------|-------|-------|-------|-------|------|
| Proportion of Grade | 0.588 | 0.307 | 0.028 | 0.077 |      |
| Conversion          | 705.6 | 92.1  | 168   | 50.05 | 1016 |

Table 1 estimates the average 4E price per oz (US\$1016/oz) used in our in-situ valuation, using conservative (compared to current market prices) prices for the 4 metals as per table shown above. We apply a range of percentages to the 4E price, from 1% to 2.5%, to reflect the in-situ value attributable PMG per oz. At 48% attributable to Jubilee and based on 65 million oz 4E resource, we value the Tjate property at 175p-439p per Jubilee share on a fully diluted basis (current issued share capital of 86.02 million plus 5 million share options outstanding).

We consider the lower value of 175p per share as our base estimate and that sees our Tjate valuation increase from 166p in our previous valuation.

## Table 2: In-situ valuation of Tjate

| % applied of 4E conservative price | Value attributable PGM (in Situ) US\$/oz | Share Value (fully diluted) £/share | Share Value (fully diluted) £/share |
|------------------------------------|--|-------------------------------------|-------------------------------------|
|                                    |  | 48% attributable*                   | 63% attributable**                  |
| 1.0%                               | 10                                       | 175                                 | 183                                 |
| 1.5%                               | 15                                       | 263                                 | 274                                 |
| 2.0%                               | 20                                       | 351                                 | 365                                 |
| 2.5%                               | 25                                       | 439                                 | 457                                 |

\* Basis: 65m oz PGM in situ, shares at 91.02 million exchange rate \$1.95: £1

\*\* Basis: 65m oz in situ, shares at estimated 115 million exchange rate \$1.95:£1

The base case valuation for Tjate increases further with a higher attributable interest in the property. At 63% interest, Tjate is valued between 183p to 457p per Jubilee share on a fully diluted basis. Our assumption there is that the company's issued share capital plus share options converted into shares will reach 115 million shares.

Our current valuation, which uses a Tjate valuation of 175p per share therefore offers significant upside under more optimistic modelling scenarios.

## Madagascar

Our valuation of the property portfolio in Madagascar on a heavily risk-weighted basis is £244 million, or 127p per share. The valuation is based on the three areas with significant potential, namely the PGM-Ni-Cu Londokomanana areas, the Ni-Cu & Au Ambodilafa area and the Ni-Cu Lanjanina area in the South-West. We recognise that it's too early to generate a concrete DCF valuation for these assets, but it is possible to say that both the Ambodilafa and Londokomanana properties each have the potential to be commercially viable assets worth, perhaps, US\$600 million. On a heavily risk weighted basis and excluding other less developed acreage completely, we therefore value these properties at £244 million or 127p per share on a fully diluted basis.

Based on the Tjate base case and Madagascar valuation, we arrive at a sum of the parts valuation for the company as a whole of 305p per share. This includes a cash element of 3p per share. A

future fundraising to firm up a Resource/ Reserves base at Tjate and to ensure the completion of a bankable feasibility study will significantly de-risk the project and will thus prompt us to revisit our valuation of Tjate. The commencement of a BFS would, in our view, put Tjate very much in active play as a bid target. This is a well managed company with potentially company making projects in two countries and with some balance sheet strength. At 91.5p, our stance remains **buy** with an increased target price of 305p per share.

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