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JMS.AX - Q3 2021 Jupiter Mines Ltd Earnings Call

EVENT DATE/TIME: DECEMBER 15, 2020 / 10:30PM GMT

CORPORATE PARTICIPANTS

Priyank Thapliyal *Jupiter Mines Limited - CEO & Executive Director*

CONFERENCE CALL PARTICIPANTS

Jon Scholtz *Macquarie Research - Analyst*

Mark Fichera *Foster Stockbroking Pty Ltd., Research Division - Executive Director & Head of Research*

PRESENTATION

Operator

Good morning, guests, and I would like to welcome everyone to the Jupiter Mines Quarterly Third Call. Today, we have Jupiter Chief Executive Officer, Priyank Thapliyal, to provide a brief update on the third quarter of the 2021 financial year. And then we will open up to questions from callers.

Thank you, Priyank. Please go ahead.

Priyank Thapliyal - *Jupiter Mines Limited - CEO & Executive Director*

Good morning, everyone, and welcome to the third quarter call for Jupiter Mines. What I would first like to highlight are a couple of key points from our report, which has been released yesterday morning. And then I will be more than happy to address any questions from the audience.

So I think the first point which I would like to make is that as the results demonstrate, we have had a substantial turnaround in the third quarter. As you can see from the production numbers and from the sale numbers, we are close to 1 million to 1.1 million tonnes in terms of production and sales. As I have mentioned on numerous occasions, we basically sell a high-grade lump and a high-grade fine product. And then the rest, if we have logistics capacity, we top it up with low-grade sales.

So for the third quarter, of the 926,000 tonnes of production, almost 710,000 tonnes was the high-grade product and 216,000 tonnes was the low-grade product. And then in terms of the sales, out of the 1.15 million tonnes, almost 828,000 tonnes was the high-grade product and 319,000 was the low-grade product.

The other point which I think also comes across very clearly in the report is that our cost of production has been substantially lower, and that is largely to do with 2 things. Firstly is our record production and sales, which have led to lower fixed cost overheads. But I think the key point has been the Transnet turnaround. They are pretty much back to pro COVID levels -- pre-COVID levels. So we are basically ahead in terms of both the trucking and the rail tonnes in terms of the logistics capacity. And also our royalty costs have been lower. So that is largely the 3 or 4 reasons why our FOB costs for this quarter are substantially lower than compared to the second quarter and the first quarter of this financial year.

The other key thing which we have also been able to achieve is that largely because of this turnaround in the third quarter, we are sticking to our guidance of 2.7 million tonnes of high-grade product in terms of sales for this financial year and then close to roughly 400,000 tonnes in terms of low-grade products, so 3.1 million tonnes on a consolidated basis. That obviously is subject to nothing or no further hiccups on account of any issues which might have come in the last quarter on account of the COVID.

The Eastern Cape, which is where most of our shipping capacity is out of Port Elizabeth, is right now the most prone to all the COVID cases. So that is definitely a big, big concern. So it is subject to that. And then the other thing is that we have had unseasonal amount of rain in the Northern Kalahari. So that, again, will have some impact on the production. But if we do not see any surprises on those 2 fronts, then we are fairly confident that we will meet our 2.7 million tonnes of high-grade product and 400,000 tonnes of low-grade product in terms of sales for this financial year.

In terms of the logistics and the sales and the marketing, I think there are 2 key points. As I just now mentioned that both on the rail and the road, we are ahead of plan. Transnet is back to pre-COVID levels. So that is all boding well for Tshipi.

The other breakthrough which we have had this financial year has been our successful port of Lüderitz. And we have set ourselves a 60,000 tonnes per month target. So for the last few months, we have basically been exceeding that target. So again, that is a massive achievement for our logistics team on the ground in South Africa.

But I think the other key milestone which we have been able to achieve is that we have been able to do some trial shipments through the Port of [Kuka] in South Africa. And I think the big benefit out of that port compared to some of the other ports which we are using is that we will be able to put our manganese in bigger ships, which will result in lower logistics costs for us. So we have been able to procure capacity through the port of Kuka for December, January and February, so for the fourth quarter. And if those trials are successful, then that should basically become part of our logistics strategy going forward. And if we are able to basically execute on that, then that would result in further reduction in our logistics costs.

In terms of the marketing, what I would probably say is that in the third quarter, we are seeing the rest of the world basically come back to their pre-COVID levels of steel production. So all the manganese which was basically being diverted from these markets to China has now got a home, and that is one of the reasons why we are seeing a slight uptick in the manganese price. We feel that China is back at 90,000 tonnes per month production, and the rest of the world is back to pre-COVID levels. So from a supply/demand perspective, it definitely is something which will support the manganese price.

Then the other major focus for Jupiter over this quarter has been the demerger of our iron ore assets, which we have basically updated the market, I believe, over the last month or 2. As far as the timetable is concerned, the management is still focused on implementing this demerger in the fourth quarter, and we are targeting somewhere around the end of February, beginning of March for the separate company housing these iron ore assets. And at that time, we will also provide the opportunity for our current shareholders not to just own whatever their attributable stake will be in this new company, but if they are keen, they would be given an opportunity to subscribe to additional shares and, therefore, increase their holding in the company.

So as far as, I think, in a nutshell, the company is concerned, we are -- as we have said time and again, no debt in the company. The manganese market seems to be turning around. Even at these $3.80, $3.90 CIF levels, we are making about $0.80, $0.90 per dmtu of profit. The cash balance is very healthy, $120 million-odd in Tshipi. And I think at the Jupiter level, close to $90 million in attributable cash.

So I think as a shareholder and as the management and the Board of Jupiter, we are fairly confident that what we have been able to do for the last 2, 3 years of our life as a listed entity, we will continue to do that, which is to pay out close to 90%, 100% as dividend to our shareholders. And we are very hopeful that we will have a fairly strong fourth quarter, which will result in a fairly substantial second half dividend for the shareholders to be declared somewhere over the course of February and to be paid out, as we have done, over the course of May.

So with that, I'm more than happy to take any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question, Priyank, from Mark from Foster Stockbroking.

Mark Fichera - *Foster Stockbroking Pty Ltd., Research Division - Executive Director & Head of Research*

Priyank, a good quarter. Congratulations in terms of the performance. Just a question on the feasibility study for the expansion of Tshipi, which you had mentioned, I think, in previous announcements. I was just wondering how that was progressing and when we might see some announcement concerning the outcomes of the study.

Priyank Thapliyal - *Jupiter Mines Limited - CEO & Executive Director*

I think nothing has really changed from what I said at the last call that we are still expecting the final work to be done by the end of this financial year. And at that time, we will look at everything and take the decision. But needless to say, we are assessing as and when different work streams are basically being finalized.

Apart from the logistics, which is a key component, the other thing which we have to also see is when we go from 3 million, 3.5 million tonne to almost 4.5 million tonnes, what are the challenges it poses to us in terms of mining and some of the processing. So we are basically going through that exercise. And as far as the timetable is concerned, we feel that we will be able to complete all those work streams by the end of this financial year.

Operator

Priyank, our next question is from Jon Scholtz from Macquarie.

Jon Scholtz - *Macquarie Research - Analyst*

Just a quick one on actual port inventories and stocks held. Could you give us any insight into what you've seen both in South Africa and in China?

Priyank Thapliyal - *Jupiter Mines Limited - CEO & Executive Director*

I think, as I said maybe on the last call, because most of the world was pretty much down on the steel production, all the tonnes which were being used in the rest of the world were basically being diverted to China. So we have seen port inventories close to -- slightly excess of 7 million tonnes. Historically, the sweet spot has been close to 4 million to 5 million tonnes. So there has been a substantial increase compared to what is a comfortable port inventory level in China.

And as I just now said, with now the production in the rest of the world picking up and almost at pre-COVID levels, we hope to see that rebalancing. And I think that is largely reflected in this $0.10 or $0.15 jump in the manganese price over the last week or so.

In terms of the port stocks in South Africa, when the COVID was rampant, there were some issues in terms of congestion and stockpiling at the port. But those issues have been resolved because Transnet is now pretty much back to full capacity, and that has led to some of the decongestion at the port.

Operator

(Operator Instructions) We have our next question from [Nick Worrell] from 708 Capital.

Unidentified Analyst

Your peers in South Africa might not enjoy the same low cost of production that you do. Are there any signs of weakness from those and, I guess, a curtailing of product going to market?

Priyank Thapliyal - *Jupiter Mines Limited - CEO & Executive Director*

No, Jon, I think -- no, sorry, [Nick]. No. I think, as I said, even during the time of the COVID, even with some of the issues which Transnet was having because of -- some of their operators were off work, which was having significant impact on the Transnet capacity, there was a substantial amount of trucking available in South Africa.

So the expectation which one would have that some of the production would come out of South Africa did not happen. So that was largely one of the reasons why the manganese price went down substantially because the supply was not curtailed. So no, we have not seen that either with our neighbor or most of the players in the Kalahari.

Operator

(Operator Instructions) It would seem that, that is all the questions we have at the moment, Priyank. I'll hand it back to you.

Priyank Thapliyal - *Jupiter Mines Limited - CEO & Executive Director*

Thank you. So on that basis, I would like to thank all of you for dialing in, for your support of this financial year, and hope you all have a restful and festive break with your family. Speak to you in the new year. Thanks a lot. Bye.

Operator

Thank you so much, Priyank. Guests, as your host has now ended the call, I will disconnect everybody's lines. Thank you.
